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The MAGAZINE of WALL STREET

"Six Opportunities in 'Seasonal' Stocks"

April 7th 1928

Vol. 41, No. 12

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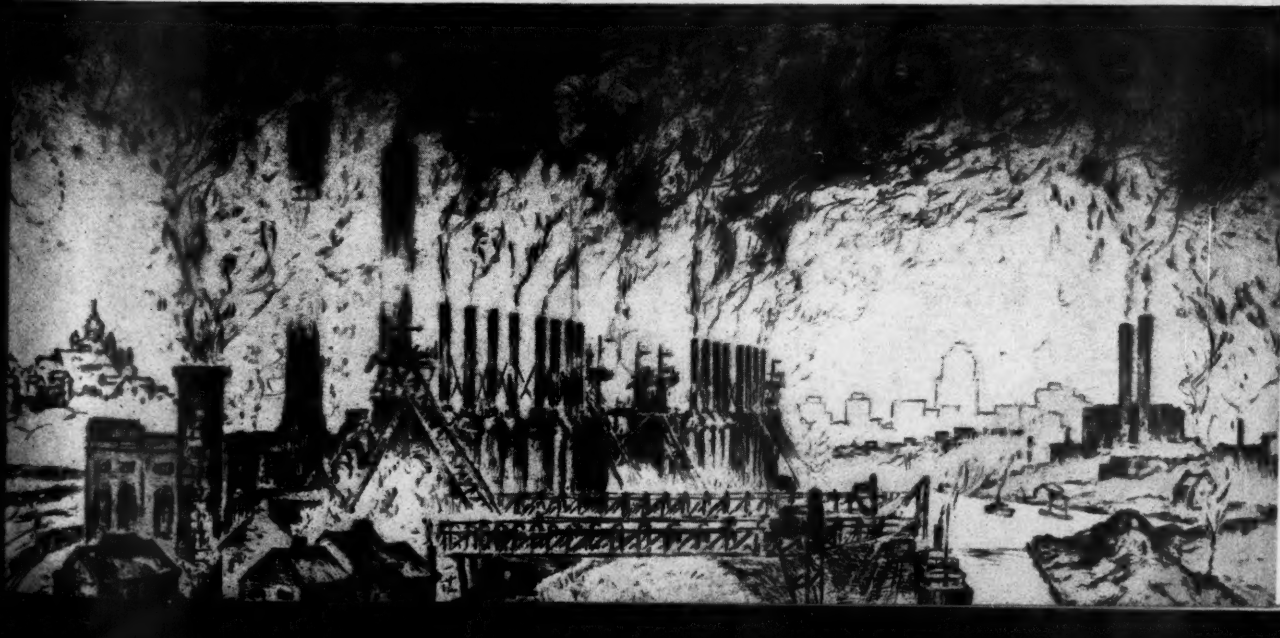
Full Employment: Prosperity's Problem and Its Solution

By Irving Fisher



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History and Business: In June, 1925, the Noma Electric Corporation was incorporated in New York State with a nominal capital of $10,000 for the purpose of providing a nucleus around which the leading companies in the field of Christmas tree and decorative lighting could group themselves. In 1926 the capital was increased to $200,000, and the Noma Electric Corporation did about 35% of the decorative lighting business done in this country. In 1927 additional companies were absorbed, until today the management estimates that the Corporation has about 80% of this business. The Corporation is the leading factor in the field.

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Earnings: The earnings of the business for the period commencing March 1, 1927, and ended February 20, 1928, as certified by Messrs. S. D. Leidesdorf & Co., and for the two preceding calendar years, as reported by the management, are as follows:

	Earnings After Federal Tax Reserve	Earnings Per Share (200,000 Shares) Common Stock
Period from March 1, 1927, to February 20, 1928	**$526,987.28**	**$2.63**
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Period from January 1, 1925, to December 31, 1925	**242,000.00**	**1.21**

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1928 SIXTH ANNUAL

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by E. D. King.

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New Stock Listings.
Stock Market Range for 1927.
Dividend Changes in 1927.
Bond Market in 1927.
Bond Market Range for 1927.
Curb Market.

BONDS—

Bond Financing.
Review of Unlisted Bonds.

DOMESTIC TRADE AND BUSINESS—

Business Review Covering the General Situation.

Important Money Changes.
Commodities, Including Price Fluctuations in 1927.
Record of Production in Leading Commodities.
Corporation and Government Financing in 1927.

SECURITIES—

Earnings and Financial Position, with Charts and Tables.

Railroads	Accessories	Textiles	Tires
Public Utilities	Automobiles	Mining	Paper
Food and Packing	Chemicals	Steel	Sugar
Chain Stores	Leather	Coal	Shipping
Mail Order	Machinery	Oil	Tobacco
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One hundred tables and charts illustrating basic conditions in each industry and fully detailed tables giving leading companies' earnings, financial position, etc., over a period of years. The charts and tables in this year's Manual are especially important, as 1927 is added, thus giving you the statistical data over the last few years. Practically every company of importance, whether listed or unlisted, is included. The data gives the investor a complete record of the growth or decline of practically every leading corporation, which will enable him to determine the real trend of the company's affairs.

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WITH THE EDITORS

What Is the "Best" Investment?

THERE are all sorts of theories of what constitutes the best investment. Many of these are interesting, some are valid and a few are practical. With all deference, however, to the able minds which have composed these theories the author offers the following as his definition of what constitutes the best investment.

The best investment is that security which at a particular time and for a particular purpose is the most suited to the needs of the investor.

If the investor has reached that point in life where he is able to retire on what he has and live on the income, where he desires to rest and enjoy life as compensation for a career of hard work and sacrifice, the idea of making money will probably be less appealing to him than the security obtainable from safe investment. In that case, the best investment for him will be sound bonds and, perhaps, a sprinkling of the soundest stocks. In that case, his choice will be governed almost solely by considerations of safety of principal and income.

If the investor is still in his youth or prime, if he still has his fortune to make, if he has his health and a profitable position with prospects of greater earning power, the idea of safety of income will probably be less appealing to him than the possibility of increasing the value of his principal through judicious employment of funds in that type of security which may benefit the greatest from the nation's prosperity. In that case, he will select common stocks of undoubted merit. For him, the best investment will not be a bond or a preferred stock but a common stock.

What the investor should do, therefore, is not to follow rules blindly or entertain preconceived notions in the business of investing. He should first make a rational effort to understand his own position, prospects and requirements, and intelligently set about to apply his knowledge in the most suitable way.

A security may be desirable but not for all people. It depends on the requirements of the investor. Unless he has taken the pains to ascertain what these requirements are, it is to be feared that he will have less success in his investment than he really ought to have, with the exercise of ordinary judgment.

In the Next Issue

1. *Stocks With Hidden Assets*

—a group of six stocks, carefully analyzed, which possess hitherto unappreciated possibilities based largely on the unrevealed assets of their companies. Investors will find this set of analyses of more than ordinary interest.

2. *The Nation's Growing Exchanges*

—Though the New York Stock Exchange naturally occupies the most conspicuous position of all American Exchanges, it is time to call attention to the important work done in the various smaller Exchanges located in other cities. This article will be a great aid to investors in coming to a clearer understanding of the functions of these important organizations.

3. *The Public Utility Investigation*

—what's it all about? What is the purpose? How will the investigation be conducted? What will be its practical effect? These and other vital questions answered for the benefit of hundreds of thousands of investors holding public utility securities.

Other equally important features will be found in the APRIL 21st ISSUE

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The MAGAZINE of WALL STREET

C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Market Operations of Large Corporations—Federal Reserve Policies and the Market—The Business Trend—Marginal Accounts—The Market Prospect

ANNOUNCEMENT that the du Pont Company had disposed of 114,000 shares of the U. S. Steel Corporation common stock in the open market, at what is commonly supposed to have resulted in a substantial profit raises the interesting question whether such practices may not be condemned by investors who would prefer to see their corporations' surplus put to more permament—and perhaps safer—use than the acquisition of securities for speculative purposes. To be fair to the du Pont Company, it is commonly understood that when they originally made the purchase of the Steel shares, they did so as a definite investment to be held more or less permanently, but the attitude of the Federal Trade Commission to what is known as the "community interest" of large corporations is understood to have lately impelled the du Pont company to liquidate its holdings lest it come under the ban of the Commission.

Though the purpose of their investment in Steel may have been sound enough, nevertheless there is no question but what it had the effect of placing the duPont company in the position of speculating in the market. It is understood that other corporations have utilized their funds in about the same manner.

In other cases, corporations have loaned their cash out in the call money market, but it stands to reason that from a purely market viewpoint, the nature of the origin of funds secured in this manner would indicate the strong probability that this source of supply cannot be considered a permament acquisition for market purposes since, ostensibly, corporations are compelled to withdraw their monies from the market when their business requirements compel.

From the viewpoint of the corporation, however, there is certainly nothing against loaning funds in the call money market since such loans are the mostly easily liquidated and are the easiest to be made available to lenders. With such practices there can be no quarrel. But when corporations use their surplus to invest in the common stocks of other corporations, a necessarily speculative tinge is imparted to the undertaking.

To a certain extent, at least, the funds so used are employed for purposes not related to the nature of the business itself. Should the corporations prove incorrect in their guess, the result would prove a loss.

During a period of rising stock prices such as we have enjoyed in the past few years, judicious investment in the stocks of other corporations has naturally proved a profitable undertaking for those corporations which have chosen to invest their surplus or part of it is this way. But the question may be asked: what will the value of such investments be if and when the market should enter a cycle in which declining prices proved the order of the day? In that case, shareholders will undoubtedly want to know why the managers of their properties invested their funds in securities, and not in constructive business undertakings.

Unfortunately, to a certain extent such speculative purchases are due to the obsolete

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anti-trust laws which prohibit the acquisition of competing properties, except under the most rigid restrictions. Were this method of investment open to corporations, on a greater scale than at present, undoubtedly they would not of choice invest their surplus to any large extent in the securities of other corporations. And, furthermore, with more funds at their disposal than they are able to utilize profitably in strict business undertakings or in new construction it is perhaps inevitable that speculative practices should creep into corporation methods. The market result to-date has been satisfactory but this is no guarantee that equal success in future years will meet similar efforts.

BUSINESS CONDITIONS

AN undoubted spirit of increasing cheer marks business sentiment. Basic industries are picking up and car loadings are showing improvement. Steel tonnage is about as high as could be expected and with higher prices obtained, profits for this industry should be quite satisfactory during the second quarter. Railroad earnings, also, should make an improvement during this period as compared with the same period in 1927. The automobile industry, of course, is in a satisfactory position. Unemployment is quite extensive as yet but the advent of the open season for industry and agriculture and increasing seasonal industrial operations should bring the number down considerably. Commodity prices are showing a reasonable degree of firmness. Altogether, business prospects during the next few months seem improving at present writing.

FEDERAL RESERVE POLICIES

WHEN the Federal Reserve Board raised its rediscount rate from 3½ to 4% a few weeks ago, it was presumed this action was prompted in large degree by the excessive speculation which at that time characterized the market. It was supposed this action would result for a considerable period, at least, in holding speculation within bounds. Simultaneously, the Reserve Board, in order to withdraw funds from the market, embarked on a policy of selling its Government securities. After the first unpleasantness caused by this change of policy, the market righted itself and then staged the most uproarious advance in history. To this date then, the Reserve Board has been practically helpless in acting as a brake upon the market. It still has, of course, the weapon of a further raise in the rediscount rate at its disposal and, further, may intensify its program of withdrawing funds from the market through the vehicle of the sale of Government securities. Efforts in the latter direction have quite recently been renewed on a large scale but to date the effect upon the market has been imperceptible. To raise the rediscount rate again would result probably in embarrassing European bankers who are busy trying to stabilize banking conditions. Furthermore, it would undoubtedly result in attracting more funds here from Europe than is already the case so that an additional source of credit for market purposes would be available. Evidently, the Federal Reserve will have its troubles in calling a halt on market speculation but the internal position of the market itself will inevitably act as its own deterrent.

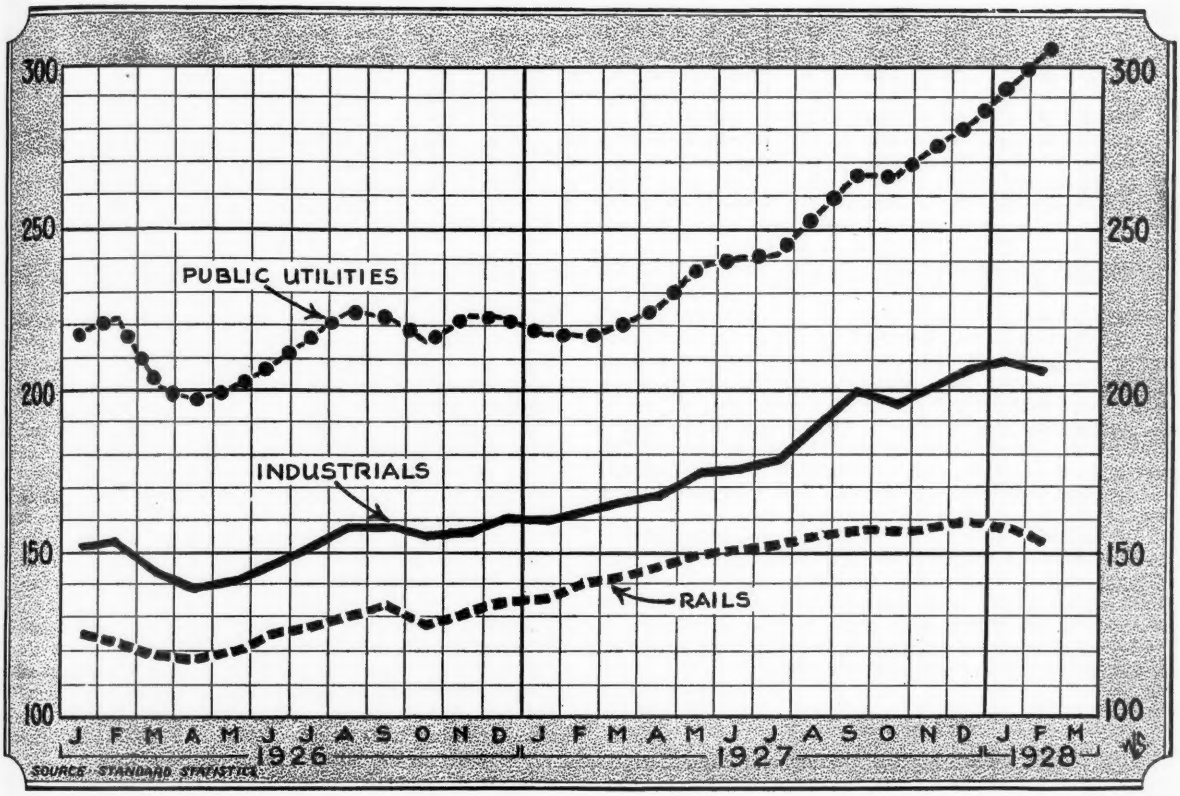
MARGINS

THE tremendous speculation in the market is the result of an enormous public interest. It is claimed that never before has public appetite for securities, especially those of a speculative order, reached the present scale of magnitude. Such a situation, of course, is not precisely the most healthy that could be imagined for it suggests a great deal of indiscriminating buying. Undoubtedly, at the climax the public will have the stocks and the financial pools the money. It would pay, under present hectic market conditions, to adhere to the most strict interpretation of what constitutes a soundly margined account. Not less than 50% is safe under present conditions and foolish speculators who are trading on "shoestrings" will find out to their cost that there is one rule of speculation they can never hope to violate with much success and that is to buy no more than one is able to carry comfortably, regardless of the inducements offered by prospects for rapid profits. History has shown but investors have not yet learned that the public often loses its paper profits and, in fact, no small part of its principal through adding to its stock market holdings in a boiling market.

MARKET PROSPECT

A COMPLETE review of the position and outlook for the stock market will be found on the next page.

Powerful New Influences at Work in Security Markets



By E. D. King

THE continued series of three million-share days accompanied by violent advances in common stocks has created a new record for the market. Thus far this year, there have been many more three-million and four-million share days than in the entire history of the New York Stock Exchange. Seats on the Exchange have risen to $350,000, a gain of 100% in a comparatively few years. The enormous volume of transactions threatens not only to overtax the mechanical facilities of the Exchange but is decidedly a greater burden than can be borne for any extended period by perspiring and exhausted brokers who must execute commissions pouring in on them from all quarters of the country.

The nation has evidently gone speculation mad and the stock market has become the favorite topic of conversation where men congregate. Many people in all walks of life are risking perhaps too much in the ever-present desire to make a fortune quickly and without working too hard at it. This psychological reaction has been encountered by the stock market many times in the past, and, when it has, all precedents are smashed for the time being.

World-Wide Speculation The phenomena of a nation-wide speculation in stocks while most conspicuous at present in America is by no means confined to it. At present several European countries are in the throes of stock speculation, much to the distress of conservative banking interests who had been hoping for a genuine recovery abroad without the fireworks which are currently being displayed in the security markets. Incidentally, it is very much of a question whether the present tremendous speculation in securities in America did not in part receive its impetus abroad. It is now definitely known that European interests are heavily involved in the American market and that surplus European funds are being utilized to purchase American securities. Canada, too, has recently been going through the swift paces of stock market speculation and there has been a regular orgy of gambling in Canadian mining securities for some time. Furthermore, practically all of the Stock Exchanges in the United States are scenes of great public activity, and the price of seats on local Exchanges is advancing.

But the New York Stock Exchange naturally remains the point of greatest interest, for the movements of the securities listed there are the most spectacular. The extent of the enormous advances that have taken place in the past few weeks may be appreciated from the following comparisons:

	Price March 1	Recent Price
General Motors	137	199
Radio	96	174
Hupp Motor	39	61
Cast Iron Pipe	196	269
Victor Talking Machine	66	91

These advances have been accompanied by the most enormous individual turnover in the history of the stock market. It has been by no means uncommon for daily transactions in General Motors and Radio to reach the gigantic figure

Comparison of Three Important Groups

Railroads

	Price	Earned per Share 1927	Selling Price No. of times 1927 earnings
Balt. & Ohio ($6)...	116	$9.42	12
Can. Pacific (10)...	213	12.08	17
Ches. & Ohio (10)..	195	24.19	8
Gt. Northern (5)....	100	9.23	9
N. Y. Central (8)..	172	15.20	11
Norfolk & West. (8)	190	21.23	8
Penn. R. R. (3½)..	68	6.82	10
Southern Rwy. (8)..	147	14.40	10
St. Louis-San Fr. (7)	121	10.75	11
Union Pacific (10)..	194	15.52	12
			Avg. 10.8 times

Public Utility

	Price	Earned per Share 1927	Selling Price No. of times 1927 earnings
Am. Tel. & Tel. (9)	181	11.76	15
Am. N. W. & E. (1)	58	2.79	20
B'klyn Edison (8)..	229	11.15	20
Columbia Gas (5)..	92	5.28	17
Comm'lth Pow. (2½)	73	4.36	16
Consol. Gas (5)	140	8.79	15
Detroit Edison (8)..	177	11.32	15
Montana Pow. (5)..	162	6.58	24
Stand. G. & E. (3½)	64	5.09	12
Western Union (8).	167	15.09	11
			Avg. 16.5 times

Industrial

	Price	Earned per Share 1927	Selling Price No. of times 1927 earnings
Amer. Can (2).....	83	$4.11	20
Gen. Motors (5) ...	194	12.99	15
Montgom. Ward (4)..	138	10.25	13
Radio (—)	175	6.15	28
Sears, Roebuck (2½)	98	5.95	16
Texas Gulf (4)	78	4.76	16
U. S. Steel (7).....	149	8.80	17
U. S. C. I. Pipe (10)	269	21.11	12
Victor Tlk. Mach. (4)	89	8.93	10
Woolworth (5)	186	9.06	20
			Avg. 16.7 times

of 500,000-600,000 shares. When it is considered that the entire daily turnover of the Stock Exchange before the war hardly surpassed this figure, it will be appreciated to what extent the market has expanded. At present prices, a daily turnover of 500,000 shares in General Motors involves the stupendous total of close to 100 million dollars in one stock alone. Single blocks of stock in Radio, General Motors and others of from ten to twenty-five thousand shares are frequent individual occurrences. Such transactions may involve amounts running up to as much as five million dollars apiece. From such figures may be gained an idea of the stupendous character of the speculation now in process. It is also obvious that while public transactions are undoubtedly on a very large scale, the bulk of trading in the more active and spectacular issues is being conducted in the behalf of powerful financial figures who are accustomed to dealing in units of millions of dollars.

Famous Figures In accounting for the unusual current activity of the market, the names of Durant, Cutten, Raskob and the Fisher brothers figure. With the exception of Mr. Durant, who has been identified with the market for many years, the others, except in recent years, were unknown to the American public. Yet so rapid has been their rise to power that today their names wield undoubted potency. While reports of their activities are undoubtedly exaggerated, nevertheless it may be taken for granted that the current speculation has been greatly stimulated by these individuals and others similar to them in power and resourcefulness.

Men of this type, however, are much more than mere market manipulators. They are, it may be assumed, possessed of extraordinary vision with the mental power to grasp an idea of the true possibilities inherent in American industry and the courage to back their ideas with their fortunes. Almost all of the great American pioneers or the men who have had a large part in building America possessed uncanny vision and their fortunes have been merely the incidental, inevitable results of their prescience. In any case, the public, in its own imagination, has endowed these leading figures of the present market with extraordinary powers and this explains why their leadership is so potent. The great influence of these men also tends to explain the steadily growing participation of the public in the securities markets though prices, by old measures, are indisputably high.

New Standards Needed But in recent years, old standards of value seem to have indicated that their usefulness is diminishing. The market has advanced to a point where new measures of value are needed and it is in the struggle to find such a basis of valuation that many expert observers are compelled to admit their confusion. There was a time, for example, when it was held that a fair price for a stock was about ten times its recent annual earnings. In other words, if a stock earned $10 a share its price should be 100. But it has been years since any such basis has been used as a measuring stick of value. Today the best stocks sell at from fifteen to twenty-five times their earnings. This in itself represents a very startling conception of values to the man who is accustomed to think along the older lines. Based on the older conception of values, present prices must seem ridiculously high, but we are dealing with realities here and the mere existence alone of high prices over such a long period would indicate that the old ideas no longer apply.

Another element of confusion has been caused by the apparent failure of the market to reflect business conditions. There was a time when the market was supposed to discount business conditions. But it has stopped doing so the past year or two. Otherwise, how account for the steadily rising stock prices of 1927 and 1928—marked only by several minor interruptions—in the face of definite evidence of a smaller volume of general business and smaller profits except for some of the very large corporations? The answer as pointed out many times in these pages, is to be found in the great abundance of investment funds which must be put to work in the most available channel. Such a medium is found today in the security markets.

Surplus Funds It is perhaps not generally realized that the United States in recent years has been generating a surplus of loanable funds of ten billion dollars annually. These funds are placed on deposit in the savings banks or in the securities markets and constitute the backbone of the securities markets. They offer an outlet for the distribution of new securities and provide growing means of financing stock market operations. These funds press for investment and have the direct tendency of inflating prices of securities. The placement of an additional ten billions of dollars in the securities markets is the chief generating factor in the steady rise of prices. For such an enormous demand, the present supply of securities seems inadequate.

It is commonplace to assert that the growth in number of security owners dates back to the flotation of the Liberty Bond issues during the war. Nevertheless, it is a commonplace which bears repetition. The public has undoubtedly become educated to the point where it regards securities as a natural means of investment. In that sense, it is not surprising that Stock Exchange transactions should reach the three-million share figure since almost all, from high to low, are interested in the securities markets through their ownership either of bonds or stocks or both.

With the growth of population and continued addition to the nation's surplus of loanable funds, it is obvious that

the securities markets must continue to grow in size so that eventually three-million share days will be regarded normal just as more recently two-million share days were accepted as commonplace and some time back further, one-million share days were the usual thing. Nowadays a daily turnover of one-million shares on a full day would be regarded as abnormally low; but in days to come two-million share days will create the same feeling.

Not Irreconcilable Commentators who insist on making comparisons with conditions in former times naturally find it difficult to reconcile present market conditions with established precedents. The older observers who still persist in feeling that a one-million share day represents the greatest permissible magnitude naturally cannot adjust themselves to a condition in which three-million share days are becoming normal occurrences. Hence, they have a tendency to distrust a market which they cannot understand.

Yet when consideration is given to the unparalleled growth of our industries in the past decade, the growth in population, the enormous and growing financial reserves of the nation, its almost impregnable position with regard to foreign encroachment, the swift improvements in industrial technique, the steadily increasing efficiency of labor and, of course, our still huge natural resources, it is not impossible to understand the reasons behind the colossal advance in security prices. The market, in a sense, is registering the fact that the United States has definitely emerged as infinitely the richest nation on earth. Hence, comparison with former conditions seems out of place.

Market's Automatic Correction Publicity given to the marches of General Motors, Radio and the like has a tendency to obscure one very important fact and that is that the entire market has by no stretch of the imagination participated in such advances to the same extent, or to any comparable extent. The market is in continual process of self-purging. It requires no general corrective except over brief periods, and is quite able to administer its own corrective when needed. The market is selective, centering to the strong and ignoring the weak.

The market is high, it is claimed, but when this remark is subject to real analysis, a somewhat different picture may be readily obtained. It is true that scores of important issues have increased in value from 100 to 1,000% in the past few years and that the general level of stock prices is considerably higher than a few years ago. THE MAGAZINE OF WALL STREET'S Common Stock Index shows a current general market average of 117 against a low of 83 in 1926. This represents a gain of over 40% for the market as a whole in two years. But the greatest advances were in individual issues such as General Motors, U. S. Steel, American Can, Sears Roebuck, National Biscuit, Woolworth and practically all of the stocks representing America's strongest corporations. The balance and this constitutes the majority of the stocks listed on the Exchange have either advanced moderately or have lost a good part of the occasional gains they may have enjoyed when the market was going through one of its fits of ebullience.

Recognition, therefore, must be given to the fact that the bull market has been comparatively limited in scope. It has been, essentially, limited to securities of the leading corporations. But, by the same token, the advances have proportionately been tremendous, for the speculation in stocks has, on the whole, been concentrated in such types of issues to the relative exclusion of the more minor types, except over brief periods. To those companies capable of continuing growth and accelerating profit, it has accorded prices that would not be dreamed of years ago. The others have been more or less neglected.

The question, then, whether the market is high or not, which is commonly being raised these days, is quite beside the point. The question should be: is the particular issue considered for investment or speculation, too high? The answer, of course, will depend on the specific conditions surrounding the company.

The Three Great Groups In an analysis of three leading groups, presented in the accompanying table, it is found that typical leading industrial stocks and public utility stocks are selling on about a parity so far as relation of market price to earnings is concerned, the average in the case of the industrials being 16.7 times and in the case of the utilities 16.5 times. The railroads, however, are selling at only 10.8 times. Hence, a clear case superficially may be made out for the relative greater attractiveness of the rails from an investment viewpoint. The question whether the market is high or not does not enter. But the market has for a long time accentuated this difference between railroad issues on the one hand, and industrials and utilities on the other, and the answer will be found in the greater ability of the latter two groups to expand. The public prefers securities representing cor-

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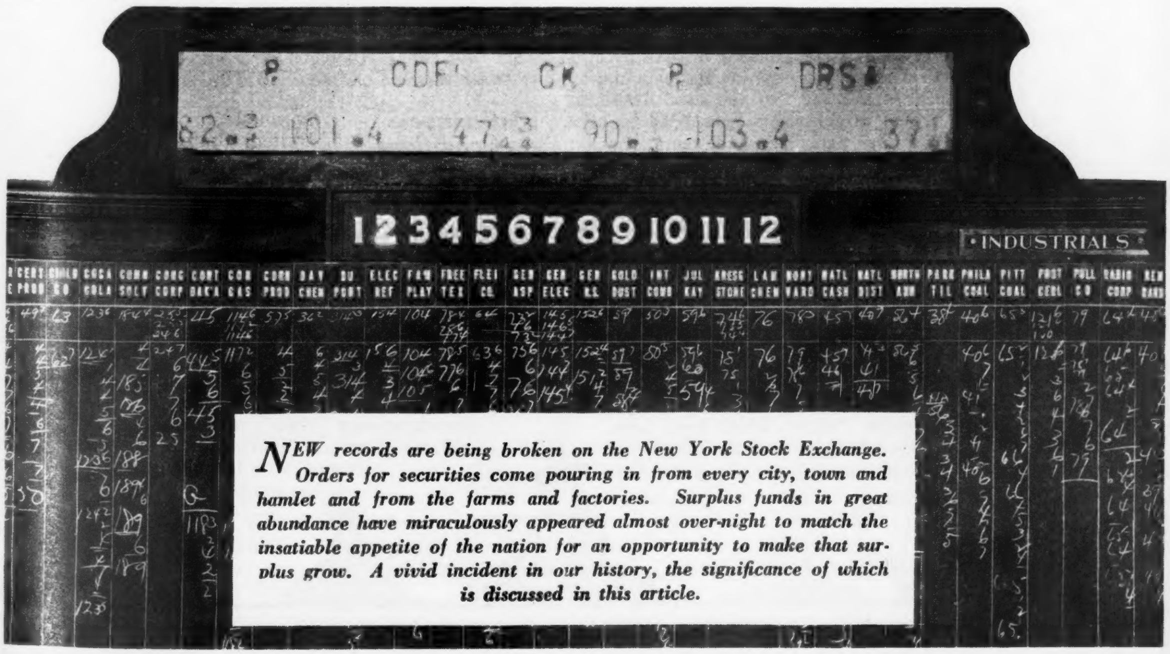

NEW records are being broken on the New York Stock Exchange. Orders for securities come pouring in from every city, town and hamlet and from the farms and factories. Surplus funds in great abundance have miraculously appeared almost over-night to match the insatiable appetite of the nation for an opportunity to make that surplus grow. A vivid incident in our history, the significance of which is discussed in this article.

Does Our Prosperity De

For the Affirmative

Frederic William Wile
Internationally known newspaper correspondent and political expert

POLITICAL signs and portents indicate that the quadrennial presidential battle of 1928 may be fought on the "prosperity" issue. The Republicans take credit for the present affluent state of the Nation, contending that it is the direct consequence of Republican policies carried out by a Republican Administration and Congress. The Democrats, to judge by recent developments in the Senate, are preparing to challenge that theory.

Senator Robert F. Wagner, of New York, in his recent maiden speech in the Upper House, advocated, and eventually secured, the passage of a resolution calling upon the Secretary of Labor to investigate unemployment conditions throughout the Union. His argument is that "prosperity" is far less universal than popularly supposed or than the Republicans claim. Senator Wagner's intimate identification with Governor Smith, who remains in the forefront of the race for the Democratic presidential nomination, indicates to Washington observers that the Smith forces discern definite political advantage in emphasizing the "non-prosperity" issue.

Preparedness and Prosperity

To the unthinking it may seem a far cry from preparedness to prosperity. Yet they are indissolubly linked. The organized and well-financed opponents of National Defense insist upon persuading the people that America's military and naval armaments are preparations for "war." The pacifists are bulwarked in this allegation by a tabulation issued by the Treasury Department a year or two ago, which set forth that 80 per cent, or thereabouts, of national expenditure is devoted "to the cost of wars, past and future." The reference to "past" wars, presumably, relates to the pensions and compensation which a grateful Republic continues to pay to the men who made its maintenance possible, or to their dependents, and to interest on World War bonded indebtedness. The reference to "future" wars concerns the annual budgets for the Army and Navy. There is constant pacifist harping on the 80 per cent theme. It is an almost unfailing note in the argumentation of those opposed to large military expenditures.

During the recent drive against the Naval Bill at Washington, the pacifists omitted no opportunity to convince our malleable and easily propagandized public opinion that four-fifths of every dollar of taxpayers' money is squandered upon "wars" which have been and which will be. The fallacy of such an allegation is apparent to anyone acquainted with the facts. The exact contrary of the inference regarding "future wars" is the truth. The money the United States spends on armaments is not preparation for "war." It is preparation for peace. In other words, our country is carrying out the policy of *peace by preparedness*. It is a policy born of the tears and blood and treasure which were the price of America's naked *unpreparedness* every time the emergency of war has overtaken us. The pacifists are determined that, like the Bourbons, history shall teach us nothing.

It is stating an economic commonplace to say that there can be no prosperity in any country without preparedness. That is essentially the case in respect of a country's international relations. It is especially so in the case of the United States, now incomparably the richest nation on the face of the earth. Personally, this writer likes to think of National Defense as *national life insurance*. He likes to believe that the $700,000,000 or $800,000,000, which upkeep of our military and naval establishment costs, is *nothing but the annual premium on the Republic's insurance against burglary, fire and accident.*

There are 120,000,000 of us. The per capita cost of national life insurance works out at about $6.67. That modest figure is the price which Uncle Sam and his children pay for the assurance that they will continue to pursue "life, liberty and happiness" free of molestation from any external quarter. Such *national life insurance* is the wall behind which the United States labors in tranquillity, in town and country, on the farm and in the factory, amid the most bounteous prosperity that ever came to the sons of men.

A Change in Conditions

A couple of generations ago the United States was financed by Europe. Those were the pioneer days when no new enterprise of magnitude on America's undeveloped soil could be established without the substantial aid of foreign capital. European gold flowed into the country in so unceasing a stream that until a bare fifteen years ago we were still a debtor nation. Our great transcontinental railroad systems were largely created in consequence of European support and investment. Since the World War, as every schoolboy knows, the United States has skyrocketed to the eminence of the globe's premier creditor nation. Both hemispheres are our debtors on a prodigious scale.

The American "stake" abroad is now estimated at 15 billions of dollars, apart from the funded war debts

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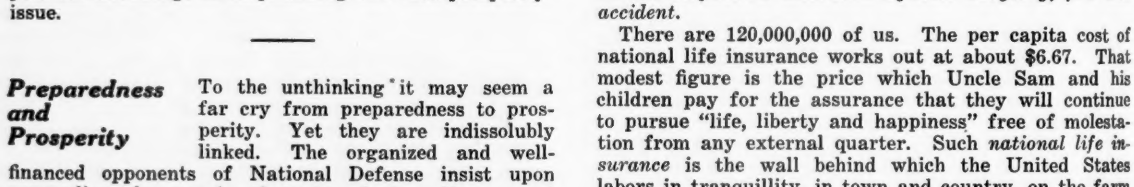

pend Upon "Preparedness"?

For the Negative

Rep. James V. McClintic Oklahoma, Member U. S. House of Representatives Committee on Naval Affairs

I HAVE the distinction of having opposed not only the administration's $4,200,000,000, nine-year Naval program, but of being the only member of the Naval Committee who opposed the modified building program decided upon by the latter.

My opposition to both programs is not based upon pacificism or blindness to the possibilities of war. There is a tremendous propaganda abroad to make the people believe that I and everybody who differ from the Navy's theory of naval extension are willing to place the prosperity and international pre-eminence of the United States in jeopardy for the sake of saving a few hundred millions of dollars. We are accused of being ready to sell the United States out to England and Japan and let them maintain the naval superiority we waived when we scrapped potential command of the seas after the Naval Limitation Conference. So far as I am concerned, the accusation is most unjust. I believe in reasonable preparedness against the remote chance of war. My opposition both to the administration's grandiose program and to that of the majority of the committee is based on the following propositions:

1. They are wastefully extravagant.
2. They are militaristic.
3. They are tactically obsolete and do not insure national defense.

What the Program Would Involve The naval program favored by the administration would involve a total naval expenditure of more than $4,000,000,000 in the next nine years, including upkeep. Another naval armament limitation conference is to be held in 1931. If it decides upon further limitation, we shall then be in the same position as in 1922. We had a supreme navy program under way then, and actually had to scrap approximately $300,000,000 worth of building vessels. It is the height of folly now to get ready for another scrapping orgy. Admiral Jones told us that not a single new ship can be completed inside of three years; hence in 1931 our shipyards would be full of building craft ready for the wreckers. Knowing these facts, it is certain that the other naval powers will hold back their construction and thus be in a position to vote with equanimity for more scrapping, with the United States as the only scrapper.

I am in favor of saving approximately $175,000,000 of the amount the majority would spend in the next three years, thereby making available $100,000,000 to be used in the construction of submarines and the strengthening of our aircraft. Such a program would prevent the laying-down of the type of ship which will be the subject of discussion and might be caused to be scrapped by the Naval Limitation Conference in 1931.

Already 82 per cent of Federal expenditures is in support of military policies, and it is proposed to make it 92 per cent.

It is undeniable that we have a large body of propaganda, if not of opinion, in this country that wants to have the United States the supreme military power of the world, through enlarging the Navy. No doubt, many good people earnestly believe that the way to maintain perpetual world peace and guard our prosperity in the coming period of foreign trade growth and rivalry is for us to be so strong as to enforce peace. Others see ominous war clouds day and night and fear that if we do not build up and maintain a tremendous navy of the kind they want, our envious rivals are going to come over here and smash our primacy in the world. This sort of people really believe in the peace of the big stick, and they are at heart admirers of military glory. Here I would say that there is little or no difference between the administration program and that voted by the committee. About the only important difference is that the former would now commit us to a nine-year building program, whereas the latter contents itself with a three-year program that represents about all that could be done within three years under the nine-year program. The big and wasteful navy advocates have won, despite the camouflage that they have been tamed by public opinion.

International Good Will In my opinion this is no time for the United States to flaunt its overshadowing power by engaging in a navy building enterprise that will fill the world with ill-will and crush reviving economic strength under a burden of taxation. Our influence should be all in favor of international good will and the elimination of war. No nation or group of nations in the world would dream of attacking us or risking our wrath, in the present condition of things. They can't afford war. The approximate indebtedness of England is $37,200,000,000; the United States, $18,284,000,000; France and her colonies, $12,872,000,000; Italy, $4,942,000,000, and Japan, $2,500,000,000—making a total of nearly $76,000,000,000 for the five major nations of the world,

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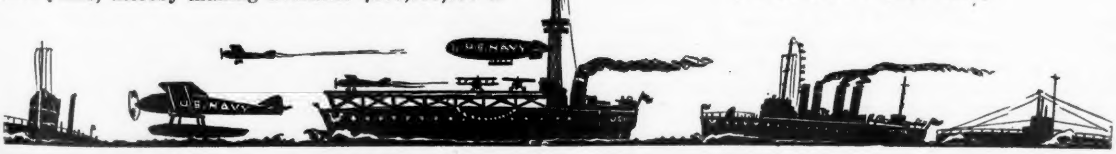

What Made Radio Go Up?

One of the Most Interesting Chapters of Stock Market History—How Radio Started Out with Uncertain Prospects and Developed Into a Giant Corporation

By ARTHUR M. LEINBACH

THIS fascinating article on the reasons behind the sensational rise in Radio shares should be read by every American investor for it shows that after all the fundamental position of a company is what makes the price of its shares—but read the story and see.

WHAT Made Radio Go Up?

This is the question that hundreds of thousands of people are asking with a degree of interest in the Stock Exchange's most spectacular issue of recent years that varies from that of the mild curiosity of a by-stander to the joy and sorrow of those who find themselves long and short of the shares respectively.

For the shares of the radio industry's dominant company—called the "radio monopoly" in some quarters — have furnished a sensation on the floor of the New York Stock Exchange in recent sessions that old timers must go back many many years to parallel. Since the company was recapitalized in 1924 on the present basis and up to the latter part of 1927, Radio common has sold most of the time at or below $50 a share. Once in 1925 the stock pushed its head up to 78, in reflection of earnings for the previous calendar year of a little under $5 a share. But it failed to hold this level for any considerable period. In 1926 it sold as low as 32, but recorded a high mark of around 62 in the same year. Even in 1927, up to November, Radio's shares had failed to push through the old high recorded in 1925. And then—well, it is hard to find any single man, woman or child over 16 in the United States who does not know what happened since then.

That is why everybody is now asking, what made Radio go up?

An Answer to the Question

And an answer to this question that does not cover all factors in the situation is no answer at all. To merely dismiss the query with the statement that Radio harbored a tremendous short interest during the early part of the year, which was finally driven to cover by a powerful pool, would be to overlook entirely the strong fundamental position which the corporation occupies. . For whatever part manipulation may have played in Radio's spectacular rise it is not to be gainsaid that even this pool operation was only possible because there existed a strong foundation for such a movement as has been experienced. In other words, it was both the strong position of the company and the relation that this position bears to the ultimate earning power of the concern, coupled with dexterous operations of financially powerful and capable interests, that made Radio soar to heights generally unthought of a few months ago.

The most interesting and perhaps the least familiar factor in this situation, however, is the technical position of the stock, that is to say, the demand and supply of shares that have been available to the market during these exciting sessions in recent months. For, in spite of the fact that there are some 1,155,000 shares issued by the corporation, a large portion of these shares are held for permanent investment by corporations and individuals and reduce the floating supply of the shares to a corresponding degree. General Electric, for example, is reported to own about 250,000 shares; Westinghouse Electric and interests identified with the company own at least 50,000 shares; an equal amount of stock is held by foreign holders much of whose stock is represented in the corporation's "foreign shares" which are not listed and therefore cannot be sold on the Stock Exchange.

Patent Litigation Settled

During the latter part of 1927, buying of apparently a very substantial character was noted by close observers, this accumulation reducing still further a notably small floating supply of shares on the market. This buying, in certain respects, was one of the first clues that "something might happen in Radio." As far as the corporation's trade activities were concerned, something else of considerable importance happened during the latter part of the past year. This was the settlement of certain patent litigation, both in court and through private negotiations, which resulted in license agreements between Radio Corporation and about 25 of the leading radio concerns of the country. Under the terms of this agreement, royalties of over 7% of the gross income of these companies from the sale of patented equipment was to be paid to the Radio Corporation plus damages for past infringements on the corporation's patents. This settlement had two powerful influences on the shares of the company. First, it strengthened the position of the company in the industry to a degree that will be explained in considerable detail in another section of this article. Second, it undoubtedly brought a great many well informed buyers into the market for stock, an important factor in the technical situation in the stock which we will continue to discuss at this point.

This new buying of the shares became more marked during the last three months of 1927, as the facts of the case became known both to insiders and to the public, with the result that the trading volume of the shares expanded con-

siderably as the past year drew to a close. Up to the middle of October, for instance, it was a rather rare incident when the volume of trading had exceeded 50,000 shares a day. The average volume of transactions from June, 1927, to October was less than 25,000 shares a day. During the latter part of October and throughout most of the following month, the volume of trading rose to an average of over 60,000 shares a day. January saw, transactions of 200,000 shares, which an average volume of around 100,000—an increase in volume of more than four times the normal trading prior to October. The earlier increase in volume had carried the shares through their old 1925 high and in the early part of December the shares moved through 100 for the first time in the history of the company.

So far, it is a safe assumption that a good deal of the buying represented the recognition of well informed interests of the strong fundamental position of the company and the potentialities of its future corporate growth. A member of the staff of THE MAGAZINE OF WALL STREET, who had the occasion to refer to Radio common during the latter part of October, presented a summary of the situation which typified the attitude of those who had really made a careful study of the position of this company. Granting the unimpressive showing made in earnings statements, he, nevertheless, drew the following picture: ".... (the) company has been through long process of *consolidating its dominant position in radio industry*, and appears to be reaching a point where potential strength inherent in the junior shares should assume more tangible form. *Numerous settlements of patent litigation are providing new source of income from royalties.*" In connection with this comment, Radio shares were rated "A" for the guidance of the readers of this publication.

This writer has italicized two factors of the above summary to emphasize the fact that the patent settlements were important not only in that they gave the company an immediate source of income, but also because these settlements marked the completion, in a sense, of a long process of making the company's trade position unassailable—an aspect of Radio's affairs that does not show up in financial statements but for this type of concern has a more potent effect marketwise than bare earnings figures. The "A" rating mentioned above was designated as meaning—"Eventually should be worth more." Here is another apt illustration of the type of buying that preceded Radio's sensational rise. Neither the writer of this comment in October nor anyone else subject to the limitations of human knowledge knew that Radio was going to *rise a hundred points in a few months*. But they did know that it *ultimately should be worth more* and the unwillingness of these investors to grab at a quick profit when the shares hit 100 had a potent effect on the subsequent bulge in price.

Breaking the Dam

For there were many traders who could "not see" Radio at around a hundred. At that level it was flagrantly over-priced, according to this school of thought which incidentally was widely subscribed to by brokers, services and thousands of their customers. The shares had a book value of $12 a share and earned only $3.50 per annum, they argued, pointing to the 1926 report which was the latest official financial statement then available. Consequently, an unusually large short interest was built up in the stock by traders who sold borrowed stock to buyers who knew Radio "should ultimately be worth more."

Had the recognition of Radio's potential worth—somewhat belated, to be sure, but, nevertheless, vigorous—been allowed to assume its natural course in a gradual upward trend of values, it is quite likely that the "fireworks" which developed later would never have materialized. But the selling pressure from a large community of shorts had the effect of placing an obstacle in the price path of the shares, that acted like a dam thrown across a river bed to hold back the course of the surging waters. Had a weak market developed during the past month, it is possible that the dam might have held—temporarily at least—and permitted the shorts to obtain their aim of a quick profit on a technical reaction. But, instead, the market developed into one of the strongest bull movements witnessed for many a day under the leadership of General Motors and as prices turned again upward the pressure against the dam created in the path of Radio common by the shorts grew stronger and stronger.

On March 15, the dam broke completely. A demoralized short interest ran to cover in panic as the shares opened up around 114 compared with a close the previous Friday night at around 104. But many shorts held their ground in a determined stand hoping that profit taking would give them an opportunity to accept defeat a little more gracefully. But Monday's market found the long side pressing their advantage with all the effectiveness that skillful pool operation and tremendous financial backing could command. The shares hit 138 during this session. Next day Radio opened at 160.

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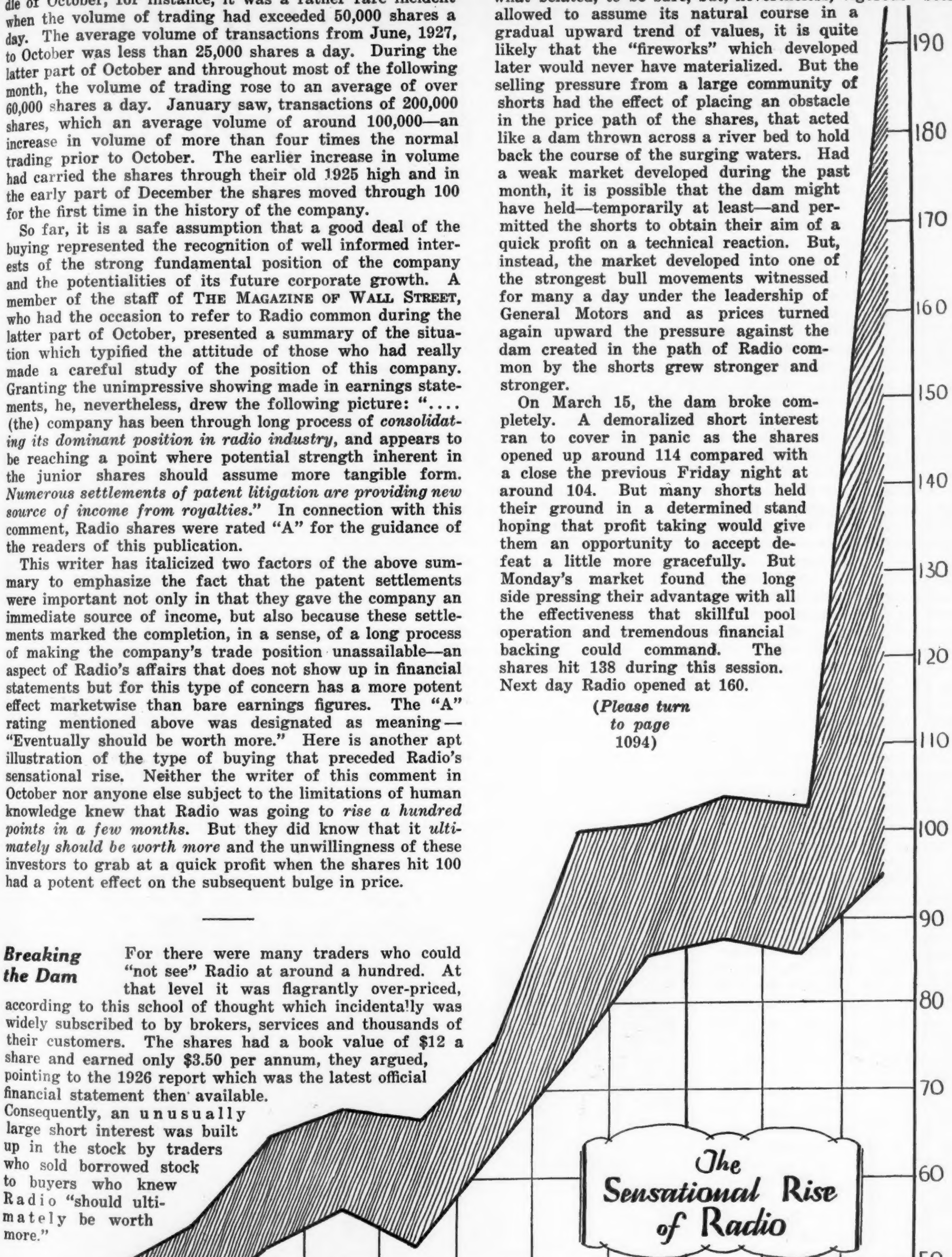


Full Employment — Prosperity's Problem

Credit Control of Favoring Trends Should Restore Millions of Workers Displaced by Machines and the Unstable Dollar

By IRVING FISHER
Professor of Economy, Yale University

THE United States Secretary of Labor has apprised readers of THE MAGAZINE OF WALL STREET of the problem of restoring jobs to workers displaced during the recent marvelous progress in installing automatic machinery in industry, along with improved methods of management.* His able article has called their attention to the greatly increased production of goods in 1927, as compared with 1919, which were consumed by ten million more people of this nation, with 7% fewer workmen employed.

Secretary Davis notes that new industries have failed to develop fast enough to absorb the men dispensed with. He has not, it is true, taken account of the long, if moderate, decline in the wholesale price level from February, 1925, to August, 1927. But Mr. Davis is probably right in assuming that increased productivity per worker, aided by improved machinery and organization and more willing labor, is partly responsible for the anomaly of growing unemployment during an extended period of increased business activity.

Increased Production, Increased Unemployment

The best available statistics seem to agree with this finding. The March Review of the Federal Reserve Bank of New York says: "In the past nine years factory employment has failed to expand in proportion to the increase in factory production, by a wide margin." It also notes that the returns for January and February of this year revealed an amount of unemployment in New York actually larger than it was in 1921, a year of depression.

This condition persists throughout the country. During the first quarter of 1928, official reports from Illinois and Pennsylvania showed the smallest totals of employment since the war. In Pennsylvania, with its tremendous manufacturing output, average employment had fallen 10% within a year, and wage payments by more than 12%. The family welfare agencies of twenty-two states outside New York united in reporting a marked increase in the number of families forced to seek help because of involuntary unemployment. For the country, as a whole, the United States Department of Labor indicates a shrinkage of nearly 12% in the number employed in manufacturing industries during 1927, as compared with 1923, and almost 8% in total wages paid.

Chief among unofficial estimates of unemployment is that of the Labor Bureau, Inc., which finds that since 1923, the manufacturing industries have dispensed with a million workers, and the farms with another million, while during a period of record haulage Class I railways have laid off 100,000 more. Another 100,000 have been laid off in the coal regions. To the total of 2,200,000 not employed in industries subject to census, must be added the 1,000,000 already unemployed in 1923, and the increase of 3,000,000 more of employable age since 1923, due to growth in population. The industrial whereabouts of these 6,200,000 workers is problematic, save as they have displaced other workers or have been employed in the building trades or have been absorbed in the professions, amusements, public utilities, automobile sales and service, and miscellaneous occupations. E. S. Gregg, Chief Statistician of the Western Electric Company, assumes that 2,150,000 of these workers have thus found employment; the Labor Bureau makes a similar computation, and after deducting this number, it conjectures that a net of 4,000,000 workers remained unemployed at the close of 1927.

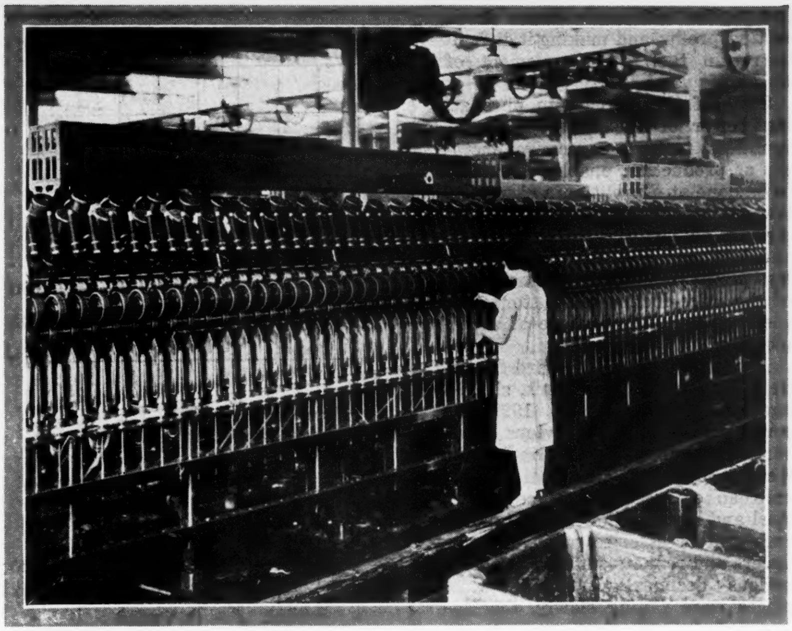
This estimate is comparable with some of the estimates of the number of unemployed during the depression year 1921. Perhaps it is as good as can be made, considering the wide gaps in our knowledge of the numbers employed outside manufacturing, transportation and agriculture. The recent estimate of the number unemployed made by the United States Bureau of Labor Statistics shows a shrinkage in the actual number employed in all industries of 1,874,050 between 1925 and January, 1928. The Secretary of Labor points out that immigration has added more than 250,000 to the population each year and that about 2,000,000 boys and girls in our native population reach the working age each year. If these figures are accepted as dependable, the number of

Labor saving on the farm. The modern harvester-thresher, or combine, with a crew of two men, using the windrow method of harvesting, will cover 55 to 60 acres a day.

© *International Harvester Co.*

* "Is Prosperity Creating Unemployment?" by James J. Davis, THE MAGAZINE OF WALL STREET, *August 13, 1927*

employable age who were not employed in January, 1928, would be close to 8,000,000 instead of 4,000,000 as estimated by the Labor Bureau Incorporated. The figures derived from the United States Department of Labor estimates are so astounding as to be incredible. The equally astounding discrepancies between the estimates of different investigators and statisticians suggest the need for regular and more complete statistics of unemployment for the whole country. Complete and dependable statistics can be obtained only under an unemployment insurance law. The accompanying charts show the percentage changes in the numbers employed in manufacturing since 1919, the total manufacturing production and the total population. Population increased about 12% from 1919 to 1926, production increased nearly 29% while employment declined more than 15%. The shaded portion of the chart B shows the decrease in employment since the peak of 1920. The actual decline of 15% in employment, from 1919 to 1926, becomes a decline of 25% when the increase in the population is taken into account.



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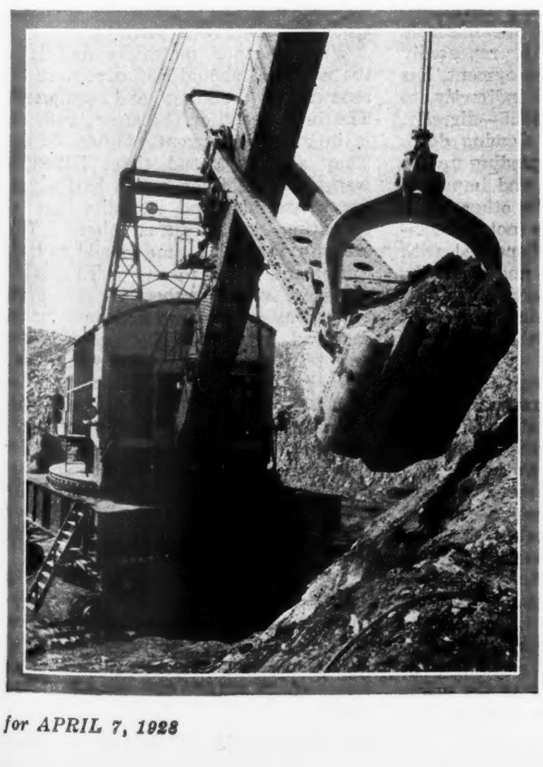
In the textile industry. Modern spinning machine, with but one operator, in a woolen mill at Lawrence, Mass. Modern textile machines turn out more goods using less help.

Production and Employment in Manufacturing

It is of more than passing interest that Chart B shows for the years 1923, 1925 and 1926 the greatest gains in factory production ever made, while for these same years employment was less by 8.16 and 18%, respectively.

Indexes of factory production and employment of the Federal Reserve Board indicate that during the seven years from 1919 to 1926 output per worker increased by 34%. If we use the factory employment figures of the United States Bureau of Labor Statistics the percentage increase in output per worker is 51%. Woodlief Thomas, of the statistical staff of the Federal Reserve Board, maintains that, in the 25-year period from 1909 to 1926, physical production increased by 75% and primary horsepower by more than 90% while the number of workers increased by less than 30%. During the 5-year span 1921-1926, he calculates the output per worker increased 36%.

Here is enough evidence of increase in output per worker to account for a considerable displace-placement of men in industry. The National Industrial Conference Board finds that while the total volume of production in manufacturing industries increased by about 65% from 1914 to 1925, the automobile industry increased 467%; the rubber industry 397%; iron and steel 86%; the chemical industries 99%, and manufactured food and food products 43%. Even the products of the textile industries, despite the decreased amount of clothing needed for the modern wardrobe, was 23% greater in 1925 than in 1914. But in 1925 the Conference Board notes, there was 32%, or nearly a third more, installed power back of every factory worker in the United States than there had been in 1914. These increases were made while the population was growing by slightly less than 18%. Reports of the Department of Commerce at Washington, the United States Chamber of Commerce, and other statistical agencies confirm the conclusion that many industries have recently increased substantially in production while dispensing with human labor.



Labor saving in excavating. This huge electric shovel digs, moves 10 cubic yards at a time. Comparison with manual labor is impossible as it would be a physical impossibility to get enough men in the pit to do the work of this shovel in the same amount of time.

© Bucyrus-Erie Co.

Ignored Effects of Long Price-Decline

Secretary Davis appears to be justified, therefore, in assuming that the rapid mechanization of industry and better management methods have temporarily displaced men faster than jobs could be created for them. But he and the other observers have generally neglected a second major factor. That is the long decline in the commodity price-index, beginning in February, 1925, continuing through 1926 until August, 1927, and accompanied, during the latter year, by increased business failures and steadily shrinking profits. My wholesale price index fell from 105.2 as the average for 1925, to 92.2 in July, 1927, as compared with 100 during 1926. This means that, during this period, the dollar appreciated in value 13.4 cents. Goods have been made on one level of prices and have

had to be sold on a lower level, cutting profits and making it difficult to retain the full complement of workers.

Some of the increase in purchasing power of the dollar was due, doubtless, to more economical methods of production, enabling business to be done at a profit on a somewhat lowered price level. But the increasingly heavy business failures of 1926 and 1927, and the record of decreasing profits during the three years of the price-decline tell a story that accounts for a good share of unemployment.

According to the Standard Statistics Company of New York, shrinkage in profits during 1927, as compared with the previous year, ranged from 5 to 25% in non-ferrous metals, building and real estate, railroad equipment, coal and coke, steel and iron, machinery, and motor cars and accessories, while oil producers and refiners suffered yet more serious declines. In 1925, while prices were falling slowly, the National Industrial Conference Board reports that the profits of more than 99% of manufacturing corporations, with net income of less than $5,000,000 each, was nearly 11% smaller than in 1923. Only the larger corporations with net income above $5,000,000 were exceptions to this rule.

During this period wage rates remained high, but total wages as represented by payrolls declined. The markets failed to increase the circulation of money in comparison with goods, and in 1927 the volume of commercial loans actually diminished as compared with the previous year. The unprecedented increases in production in a market that was undergoing a relative money deflation produced declining prices and was a factor in producing declining profits.

A rising price level temporarily stimulates employment, and a falling price level depresses employment. When prices neither rise nor fall, employment tends to remain steady. For society as a whole, and in the long run, both the appreciation and the depreciation of the dollar are, of course, evils. And for the laboring man in particular they are dire evils. Under rising prices his "real" wages shrink with increase in cost of living; while under falling prices, as has been the case recently, he is thrown out of work.

When prices decline, wages and salaries do not usually decline at once with them, nor do interest and rent, since these are fixed by contracts. Wage rates have been reduced but little during the thirty months' decline in prices. Employers have cut costs of production by introducing many devices for saving capital as well as labor. The better managed and stronger concerns have made profits, though smaller than they would have realized under stable prices. The weaker concerns have been forced into bankruptcy.

Henry H. Williams, in a paper read before the Taylor Society in December, 1927, presented evidence that high wages have compelled manufacturers to install machinery and power for tasks formerly done at a higher cost by hand. The cost of labor-saving machinery has not increased since the war in the same ratio as have wage rates, while the cost of electric and steam power, because of the economies of large scale production and consolidation, has in many instances actually declined.

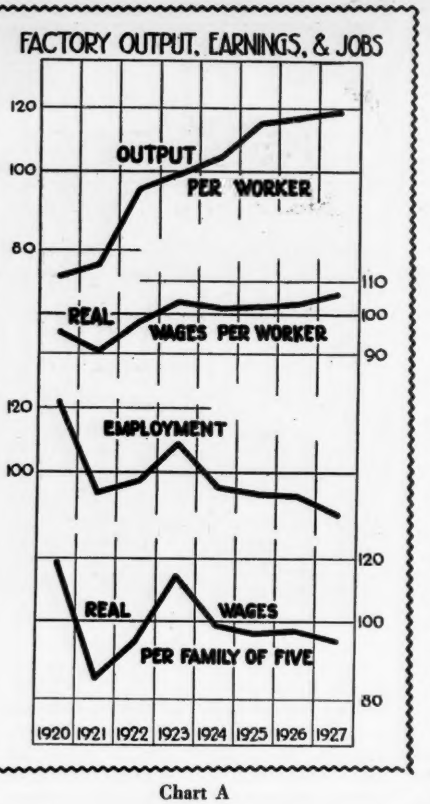


Chart A

Hence it appears that the unstable dollar, which, since 1915, repeatedly and directly caused unemployment, has worked both directly and indirectly, to displace workers since 1925—directly, by reducing profits and slowing down industry; indirectly by speeding up the substitution of machines and improved methods for men. On the other hand, because management can not immediately take on the men dispensed with by improved machinery and methods, the price level is forced still lower by the loss of the purchasing power of those workers who are wholly or partially unemployed.

That is why the situation became acute. The question now is: What measures will serve to restore the price level to stability and re-employ the millions of unemployed workers?

Nothing short of the persistence of easy money conditions and a renewal of business commitments on a large scale—which are, fortunately, now in progress—can be expected to accomplish this beneficial change.

First, the price level of commodities was checked in August last year and turned upward for the remainder of 1927, with a notable rally in the prices of farm products. The Federal Reserve banks in August lowered the rediscount rate from 4% to 3½%; although for the year commercial loans totaled less than during 1926, this action had the effect of reassuring business and increasing orders. For one thing, it resulted in heavy exports of gold from our excess reserves to Europe, where higher rates prevailed. The stimulation of foreign loans aided greatly in stabilizing American markets abroad. Resumption of the 4% rate by the Federal Reserve banks in February of this year checked an unhealthy increase in speculation in securities, during a seasonal slackening of demand for commercial loans. It did not materially hurt business, and if the discount rate is again lowered during the height of activity this spring the volume of commercial loans may be expected to expand, with increase of purchasing power for goods and services.

Meanwhile certain basic industries, iron and steel, motor cars, motor accessories, public construction, business and residential building, machinery, machine parts and railroad equipment have given signs of renewed activity.

The steel industry has risen from 65% of capacity at the close of 1927 to 85%. Automotive production increased even without the tardy aid of the Ford industries. Expansion in demand for machine tools, which usually presages a renewal of industry, was observable during February.

Potential Expansion of Building

It is in the building industry, which materially sustained business activity at high levels during 1927, that potentialities may be expected to overcome trade hesitancy this year.

With cheaper materials and labor the railroads should find opportune the renewal of building and equipment. The investment of the steam railways is in excess of twenty billion dollars. They already spend three billion in wages and a billion and a half a year for materials and supplies out of operating expenditures alone. This seems a favorable time to add to their equipment, which means added demand for iron, steel, lumber, copper, brass and many other raw and semi-manufactured articles. The program for new trackage and bridges, station and office buildings, terminals, and the like may be expanded to advantage during a season of slack employment and lowered prices. Increased bond issues for these works would help scores of thousands of workers to self-support with renewed purchasing power that would prove tonic to all business to help tide it over the present recession.

Like measures may be applied to the intensive development of new and existing facilities for all public utilities, which contributed nearly two billion of new bonds and stocks to the estimated total of $7,355,000,000 issued during 1927.

Several of the larger steel companies follow the policy first adopted by Andrew Carnegie, of planning construction work ahead so that advantage might be taken of low construction costs during a season of declining prices, and it is customary for power plants and the larger units in the coal industry to do the same. The recent increase in demand for new machinery is in accordance with this principle.

Difference Between Boom and Depression

It has been claimed that a difference of only 10 to 20% in the quantity of production decides between a year of boom and a year of depression. Prosperity that is destroyed by making only nine sales where ten were made before, may be assured when eleven sales are made where ten were made before. Thus a few hundred millions worth of orders may check oncoming depression and begin the reconstruction of business. A flexible program of public works, Federal, State and municipal, may be expanded to produce just the fillip needed to restore health to the business organism. Otto T. Mallery tells, in the report of the Hoover Committee on "Business Cycles and Unemployment," how the sale of municipal bonds for local public works broke all records during the months immediately following the President's Conference on Unemployment in 1921. During the last quarter of 1921, municipal bond sales were more than doubled, as compared with the corresponding quarters of 1920 and 1919, and sales during the first half of 1922 were $725,000,000 against $518,000,000 and $348,000,000 for the first halves of 1920 and 1919, respectively. The President's Conference was used to stimulate appropriations for public works and to expedite construction already financed, so that the Mayors of 125 cities, with a total population of 25,-500,000, reported to the Conference that public works construction was being energetically pressed.

This policy was doubtless partly responsible for the recovery of business from the severe depression of 1921 and the rise to record production and prosperity in 1923. The F. W. Dodge statistics show that public construction awarded during the first half of 1922 exceeded by more than one-half the total of any previous full year, while the time of maximum execution of the contracts, Mr. Mallery reports, coincided with the end of the depression and the turning of the tide. Moreover, road building was set forward by the Federal appropriation of $75,000,000 to the States in the autumn of 1921. As a consequence manufacturers of road building machinery received orders in December instead of in April, as had been the custom, and men were employed who would have been idle until spring, while employment was advanced in the industries producing steel and other materials. Industry in general felt the impetus, so that the spring trade of 1922 showed unusual gains over the trade of the winter months, and started about six weeks ahead of time.

The state of the building industry today would seem to indicate that only a little of such encouragement from public and private sources is needed to produce a record year. During the first month of 1928 construction contracts in thirty-seven States east of the Rockies rose 11% above January, 1927, being the second largest for any January on record. All districts excepting two reported substantial increases over last year, while residence building contracts showed the largest increase since early in 1926. The projects for industrial and educational building and public works and utilities exceeded the corresponding period of 1927, while the chief increases were made in engineering and public works.

It would appear, therefore, that during such easy credit conditions as have prevailed during 1927 until now, the execution of work planned ahead by manufacturers, railway and other public utilities, and Federal and local bodies providing public works, would furnish ample channels for re-employment of men displaced by improved methods and machinery, and by failures and shutdowns consequent upon the long decline in the general level of prices.

This is preventive work of the first order. To the States are available Federal aid for road building, the programs for which can be intensified. The indexes of the Survey of Current Business of the Department of Commerce may be used as a guide for expansion and contraction of public works, Federal, State and municipal. Advance planning and contingent bond issues for enlarging the programs of public building, and existing engineering plans may be availed of for such projects as flood control in the Mississippi Valley, the Boulder Canyon development, and Muscle Shoals. The States might utilize appropriate existing agencies for the development of long-range planning for building State institutions and central purchasing of supplies of staple commodities. City plans may be pushed utilizing contingent bond issues and reserve funds provided for times of unemployment, and educational campaigns by national and local civic organizations might further stimulate the building programs of private organizations.

Beginnings of Unemployment Insurance

Applied systematically, this policy of forwarding public works in off years and enlarged building programs of business corporations will make comparatively easy the task of public and private insurance of employment for the great body of workingmen. Many of our States have developed excellent systems of industrial accident insurance or workmen's compensation. In Europe and the United States various types of unemployment insurance are in use. Here comparatively few employers in various industries have provided funds for the support of employes during lay-offs, the benefits running from 50 to 90% of normal wages for limited periods. Along with this provision attempts have been made to regularize employment. Funds are properly set aside out of profits and administered by committees of workers or joint committees of workers and employers. Agreements between unions and employers have included guarantees of, say, twenty weeks' employment in each half-year, with provision of two-thirds of the minimum wages in cases of failure to provide this amount of employment. At the end of the six-month period the employers whose funds have not been completely drawn upon receive refunds, thus providing an incentive to regularize their business and save payment of unemployment benefits.

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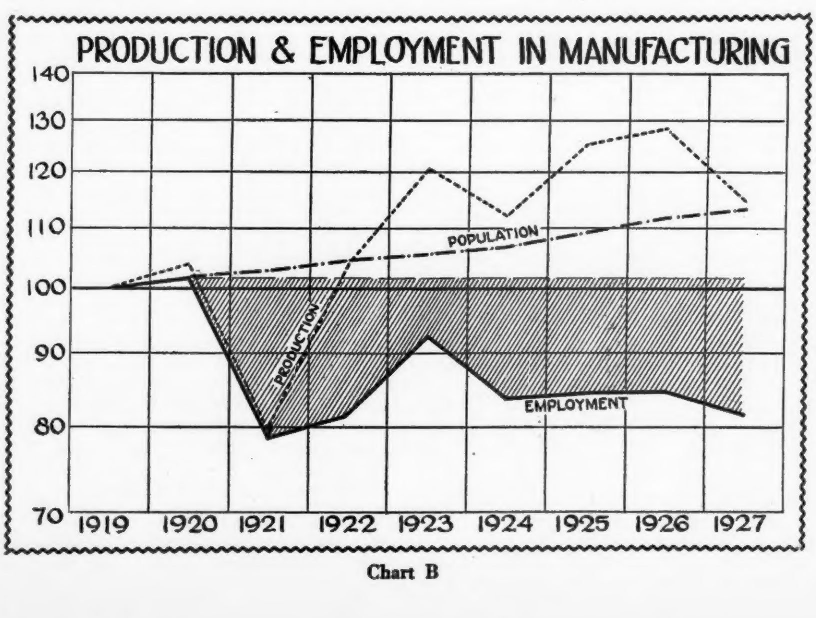

Chart B

Will Gold Exports Contract Our Credit Supply?

A Definite Answer to the Most Important Financial Question of the Day

By WALTER E. SPAHR*

THIS penetrating analysis shows that, barring psychological factors which cannot be forecast, ordinary gold exports can take place without endangering reserves or affecting the credit structure or perhaps the money market.

INFLATION, gold movements and currency stabilization have been attracting wide attention recently and have served to raise many questions regarding Federal Reserve policies relative to credit control and regarding the effect of gold movements upon business conditions. The condition in the New York securities market also has attracted a large share of attention lately. The general opinion seems to prevail that it is, and has been for sometime, inflated, that the low discount rates have been factors favoring such inflation, that a raising of the rediscout rate by the Federal Reserve Bank of New York must of necessity force a liquidation, and that any important outward movement of gold would cause a severe contraction of credit. Some of the conclusions reached in the various financial papers seem quite justifiable, others raise doubts. In any event all of them will cause one to raise certain queries as to what are the fundamental principles underlying these important questions.

One of the first considerations to have clearly in mind, if possible, is the question of Federal Reserve policies regarding credit control, gold movements and efforts to stabilize the price level. The principles which control a central banking system in respect to these broad policies may fall into any one of three classes.

Three Classes

(1) The central bank, or banking system, may be guided by the ratio of reserves to notes and deposits either through legal requirements or volition. As the ratio of reserves to deposits and notes declines it would tend to place restrictions upon credit extension either through the raising of the rediscount rate or the selling of paper in the open market in order to strengthen bank reserves. If the reserve ratio is increasing until it is excessive this is taken as an indication of the desirability of action on the part of the central banking authorities just the reverse of that used when the reserves are falling. A policy controlled by the ratio of reserves to deposits, or to deposits and notes, is in the interest of the maintenance of some sort of reserve ratio and not in the interests of stability in the price level. In fact, the idea of stabilizing the price level through credit control and the idea of maintaining a reserve-deposits ratio within certain limits are diametrically opposed to each other; the one principle can be followed only at the expense of the other. If reserves fall and steps are taken to protect them, by raising the red'scount rate or by going into the open market with paper, or both, then the price level will tend to fall. If reserves are excessive then the tendency is to reduce them by lowering the rediscount rate and purchasing eligible paper in the open market with the result that the price level tends to rise.

Those who oppose the following of such a principle insist that the criterion of any good money, credit and banking system is whether it is instrumental in stabilizing the price level. Its advocates, on the other hand, insist that reserves must be maintained in the interests of safety and that it may be well enough to talk of the desirability of stability of the price level, but the prime consideration is ultimate safety and the price level consideration must give way finally to that of safety.

Fundamentally Unsound?

The occasional rejoinder to this contention is that such a policy is not only not in the interests of safety but is far more dangerous than a policy looking forward to stability due to the fact that when reserves fall to the legal or conventional limit, which is an indication of the great demand for them, they are locked up, cannot be used, and business is compelled to liquidate and perhaps endure a crisis merely to protect reserves which are not used when most needed. Also, it is insisted, when reserves are excessive, when they are not needed, then every effort is made to force them into use even though it brings about inflation and the consequent evils. Therefore, so the argument goes, the reserve-deposits ratio idea is fundamentally unsound since it hides reserves when needed, pays them out when not needed, and is an important factor upsetting the price level.

(2) The second and opposing principle is the one which operates in the interests of stabilization of price level through credit control and ignores the reserve ratios. When reserves are needed they are paid out even though the ratio may be falling; if they are not needed they are permitted to pile up regardless of how large the ratio may be. In this manner, insist the advocates of a managed currency system, reserves really serve a useful purpose, the only really valuable purpose they can serve.

Guiding Factor

The true guiding factor in this plan is the price level. If it tends to rise steps are taken to check it by raising the discount rate and by selling paper in the open market; if it tends to fall the discount rate is forced down and paper is purchased in the open market. Such a policy, it is asserted, is in the interest of business stability, a steady prosperity, and a greater justice in all economic relations.

It is clear of course that a banking system controlled by legal reserve requirements cannot follow such a plan except within narrow limits. The question remains, however,

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whether any banking system not controlled by legal reserve requirements can ignore its reserves in the sole interest of price level stability. Conceivably a country could have all of its reserves drained from it through adverse trade conditions, higher interest rates abroad, investments abroad, crop failures at home and any number of other factors. Yet with all the outward movement of gold no steps could be taken with consistency to stop it if the price level remained steady. If a country loses all of its reserves the credit structure doubtless would collapse and panic conditions ensue due to loss of confidence in the ability of the government or banking system to maintain a credit and banking system which would meet all needs. Such a plan could appeal only to those extreme advocates of a managed currency who, at the same time, are fiat money theorists.

A Compromise (3) A third principle is a combination of the two preceding ones. Its advocates insist upon working for price level stability in so far as is possible without forgetting the question of the ultimate protection of reserves which are necessary to prevent a final collapse of the credit superstructure even though their protection may involve a fall in the price level. Those banking systems which must conform to legal requirements as to reserves cannot do more in the interests of stabilization than this plan will permit. Within these limits surplus reserves may be ignored or perhaps impounded in an effort to maintain stability but the legal reserves must be maintained at the expense of stability. If stability has been secured with reserves well above the legal requirements then a high degree of stability may be maintained perhaps over a period of years. Trade conditions may be such that gold movements will remain fairly balanced and the legal reserves not approached. Along with these favorable trade conditions must exist a consistent banking policy that will attempt to prevent a rise or fall in the price level.

The first principle was the one which controlled the banks in the United States prior to the inauguration of the Federal Reserve System. The attempts to hoard and protect reserves when the reserve-deposits ratio fell, invariably led to enforced liquidation and sometimes to panics. The second principle has been followed by no country; it exists only on paper and as an interesting theoretical scheme. Most banking systems operate under the third or first principle, or perhaps waver between the two. Consequently much of the talk and writing dealing with the theoretical aspects of stabilization must be taken with large reservations if there is serious intention of applying the principles usually advocated in behalf of stabilization.

While the Federal Reserve System operates, without much doubt, under the third principle, there is no general agreemnt as to how effective it can be in stabilization. Its ability to control the price level, in all probability, has been greatly over-emphasized in the popular mind. The Federal Reserve Board itself has done much, through its various reports and through the writings of its individual members, to disabuse the public of this popular idea.

In general it insists that the forces that make for a change in the price level have gathered such momentum before they are detected by the board and banks through index numbers that any action to retard is always late and at best can only smooth out the fluctuations; it cannot prevent them or secure absolute stabilization. This contention is generally supported by those who understand the factors in the situation.

It also is generally believed that the Federal Reserve Board and banks do all in their power to stabilize the price level within the limits of the legal reserve requirements. This means that in this country surplus reserves are ignored, that is, no effort is made to force them into use—rather, efforts are made to keep them out of use—while the minimum legal reserves are protected. The operation of this principle showed itself in the liquidation beginning in May, 1920, following the raising of the rediscount rates due to the fact that reserves of two-thirds of the Federal reserve

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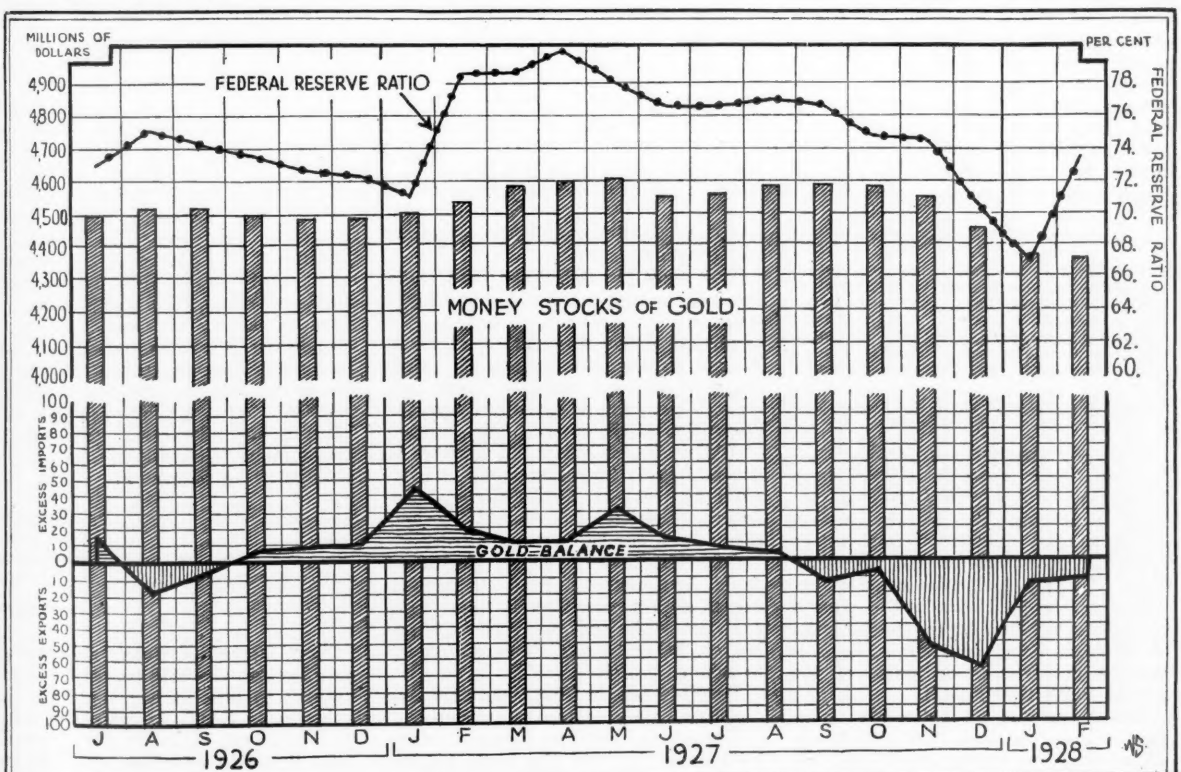


The swing of the gold movement from a large import balance in the latter part of 1926 to an even more pronounced move in the opposite direction a few months later is portrayed in this chart. The effect of these fluctuations on the reserves of the country is notable despite the still enormous totals of gold stocks.

Position of South American Bonds

What to Know About These Issues—Representative Bonds Commented on for Convenience of Investors

By HANS HEINEMANN

WHILE it is true that sensational results were not accomplished in the widely advertised Sixth Pan-American Conference, it is important to note that many highly dangerous questions were avoided or smoothed out. These difficulties have by no means been settled, and they may come up again, but for the time being they have been disposed of and the road is open for further progress of United States developments and projects in South America. The market for South American bonds reacted very favorably to the results of the Conference, for almost all South American bonds at present price levels are considerably higher than they were before the Conference. A number of representative issues are herewith quoted:

Trade of South American Countries Compared

(In 1000 Dollars)

		Exports	Imports	Excess —	Surplus +
Argentine	1925	$793,114	$876,848	—$83,734	
	1926	729,993	822,496	— 92,503	
Bolivia	1925	40,347	23,022		+$17,325
	1926	41,825	24,148		+ 17,677
Brazil	1925	490,680	411,973		+ 78,707
	1926	460,717	390,682		+ 70,035
Chile	1925	199,264	363,257	—163,993	
	1926	225,633	407,793	—182,160	
Colombia	1925	83,224	85,830	— 2,606	
	1926	110,053	111,441	— 1,388	
Cuba	1925	353,984	297,324		+ 56,660
	1926	301,709	260,826		+ 40,883
Peru	1925	87,459	73,476		+ 13,983
	1926	89,154	72,762		+ 16,392
Uruguay	1925	97,376	92,899		+ 4,477
	1926	96,242	96,802	— 560	

	Dec. 31, 1927	Mar. 11, 1928
Prov. of Santa Fe 7s, 1942....	95⅛	99⅛
Prov. of Buenos Aires 7s, 1958.	96⅝	100⅛
Republic of Chile 6s, 1960....	91¾	95¼
Dept. of Antioquia 7s, 1957....	94¼	98¼
U. S. of Brazil 7s, 1957.........	93¾	98⅛
Republic of Bolivia 7s, 1958....	94¾	97
Republic of Peru 6s, 1960......	91⅛	93¼

Conditions in the Various Countries

Generally speaking, economic conditions in South America in 1927 were satisfactory. Argentine, however, enjoyed something like a boom period. All Argentine industries show better results in 1927 than in the preceding year. During 1927 the country returned to the gold standard. After a comparatively long lapse, the building of railroads has been resumed to connect as yet inaccessible parts of the country with the Capital.

Brazil has had an extremely abundant coffee crop this year which has helped improve trade conditions, but depression still persists, even though not as acutely as last year. Internally, the country has enjoyed peace and order, which has enabled the President, Dr. Luiz, to push the stabilization program further.

Ever since the end of the year, Chile has had to face competition from the producers of artificial nitrate. In June, 1927, the Association of Chile Nitrate Producers withdrew its price-fixing policy for nitrate. The free market has been very helpful for the disposition of the stocks. The question of Chile's future prosperity appears to depend largely upon her ability to compete against artificial nitrate producers who offer increasingly serious competition for her natural nitrate.

Colombia is enjoying a period of rapid development. Trade is increasing at such a pace that at times there are not sufficient facilities (Warehouses, Wharves and Custom Houses) to take care of it.

Peru's trade in 1927 was fair and politically the country was calm.

Uruguay's public finances show budget surplus and the trade balance has been in the country's favor.

Bolivia's political disturbances in 1927 did a great deal of harm to economic interests. To meet expenditures the Government decreed a forced loan in December, 1927.

Full statistical information about the Latin-American Trade for 1927 is as yet not available; even the 1926 figures for Chile have not been given out at the time of this writing. The general trade figures for Latin-America for 1926 show a decrease in comparison with 1925, but estimates for 1927 run ahead of those of 1925.

The accompanying table compiles all available figures to indicate the respective country's international trade, but does not account for so-called invisible items such as interest, sinking fund payments, on foreign investments.

To arrive at some critical conclusion regarding South American Government bonds, a brief review of South American public financing seems necessary. Up to the beginning of the last war, our investments south of the Rio Grande were small in comparison with those of Europe. Before the war, there were very heavy European investments and even today they amount to $7,363,000,000 as compared to our own of $5,260,000,000. Great Britain has the chief interest, her investments totalling approximately $6,000,000,000. They are distributed as follows:

Industrial and Misc.	$1,680,000,000
Railroads	2,405,000,000
Government Bonds	1,720,000,000
Banking & Shipping	220,000,000
	$6,025,000,000

Since Great Britain's investments date back to the 19th century, it seems natural to look to her experience for guidance in South American financing. The following table gives in column 1 total British Government financing and in column 2 the amount of bonds in default. Defaulters are at the present time, Honduras, Mexico, Guatemala, Province of Corrientes, and various

Brazilian States and municipalities.

Comparison of Total Government Financing with Defaults

	Total Financing	Default	% of Defaults to total English Investments
1913....	$15,820,000,000	$22,940,000	0.12
1923....	17,348,000,000	290,115,000	1.66
1924....	17,200,100,000	292,290,000	1.70
1925....	16,329,550,000	218,915,000	1.35
1926....	16,596,000,000	225,690,000	1.36

These figures give only information as to actual defaults at the present time. All South American countries with exception of Chile have defaulted on their obligations, and bondholders have had many disappointments. Investors in foreign securities are often swayed by reports of economic progress and do not pay enough attention to the political situations, external and internal. Internal political situations in South America are vastly different in the various parts of the continent. In Argentine and Uruguay there are well regulated political systems like our own. In Cuba and Nicaragua, an administration has never lost at the polls. In Chile, Peru, Venezuela, Dictators are ruling today. In many cases governmental changes are only possible through revolution.

Frequently, in the past, South American Governments have received money in the form of new loans, not to build new public utilities or similar undertakings as stated to the bankers, but to take care of interest payments of previous loans. At times, only through such arrangements were South and Central American borrowers able to meet their obligations. This seems to be one of the most important factors which United States investors should take into consideration.

It might be quite interesting, in this connection, to view the attitude which United States investors actually have shown with regard to South American securities. The Peruvian situation is illustrative.

Peru's bonds have sold, during the last twelve months, on the following gold basis:

Republic of Peru Sinking Fund Secured 8% gold loan 1944.

1927		1927	
March 29	7.59%	August 23	7.58%
April 26	7.58%	September 20	7.18%
May 31	7.58%	October 18	7.18%
June 21	7.58%	November 15	7.23%
July 19	7.48%	December 13	7.08%

Peru National Loan External Sinking Fund 6s of 1931.

1928	
January 17	6.66%
February 21	6.58%
March 13	6.51%

(The first loan is a secured loan, while the 6s loan issue is only a direct obligation of the government of Peru.)

Such change in credit standing should obviously be supported by a considerable improvement. It might, therefore, be valuable to compare the yield basis with the political and economic development of Peru.

It is true, as stated above, that conditions in the country have shown an upward trend for the last few years. During 1927 there was political calm under the dictatorship of President Leguia. Business was fair, and there were no very particular outstanding features calling for special remarks. Statistics of the Foreign Commerce of 1926 were in every respect better than those of 1925, and there was a further slight advance in the first six months of 1927.

In the last six months of 1927, in accordance with the desire expressed by the Dictator, President Leguia, the Legislature passed an amendment to the constitution which enables the President to retain office for an indefinite period. The external political situation was disturbed, and the dispute with Chile over Tacna-Arica and Bolivia and Ecuador is still unsettled.

During the last year, the country's financies appear to be improving, but no final figures are yet available. The development of the government finances is shown in the following table:

Government Receipts and Expenditures in thousand Peruvian Pounds.

	Receipts	Expenditures	Surplus or Deficit
1924	$9,214	$8,582	$632 S
1925	9,202	9,489	237 D
1926	9,274	9,763	399 D

In this connection the recent financial record of the country is as might be expected from earlier suggestions in this article.

1. Peruvian Cons. 1% Loan 1889 defaulted during the second half of 1914-15 with lapses from 1921 to 1924.

2. Peruvian Redeemable Debit of 1898 defaulted from 1915-1924.

3. Peruvian Sterling 5½% Loan

(*Please turn to page* 1062)

Important South American Bonds

	Call Price	Market Price	Current Yield %	REMARKS
Argentine 5½s, 1962	100	97	5.7	Issues of the Argentine Government are the most conservative of all South American investments. Country quickly becoming one of the world's rich nations.
City of Cordoba 7s, 1937	100	98	7.1	Attractive Argentine City Loan. Cordoba developing fast and becoming important provincial center.
Bolivia 7s of 1958	102½	97¼	7.2	Highly speculative. Last year the Government decreed a forced Loan to cover the deficit.
Brazil 6½s, 1957	100	98½	6.6	Rich in natural resources. Chief commodity coffee. Brazil needs annually in excess of $100,000,000 to cover balance of payments. Records indicate frequent defaults.
Chile 6s of 1960	100	95¼	6.3	The only South American country which never defaulted. Artificial nitrate cutting into Chile's market for natural nitrate. Development should be followed very carefully.
Colombia 6s, 1961, External	100	95¼	6.3	Remarkable improvement since 1905. Previously series of defaults. Country on gold basis. Internal bonds decidedly more advantageous holdings.
Colombia 10s, 1919, Internal	100SF	100	10.0	
Cuba 4½, 1949	105	97¼	4.7	Quickly becoming economic annex of United States. yield basis difficult to justify on basis of economic and internal political facts.
Peru 6s, 1960	100	93	6.4	Much improved lately. Government pawning the country's resources fast. Records here also indicate frequent defaults.
Uruguay 6s, 1960	100	99	6.0	Similar to Argentine. Enjoys good credit. Comparatively heavy debt. Attractive field for investments.

Chicago & Eastern Illinois Rwy.

An Interesting Bond Situation

Position of General 5% Bonds Worthy of Investor's Attention —Outcome Largely Dependent on Coal Wage Agreement

By GRAHAM WILSON

CONSTITUTING by far the greater part of the funded debt of the Chicago & Eastern Illinois Railway Co., the General Mortgage Gold 5s of 1951, in their market action, reflect more accurately than any of the other securities the varied fortunes of the road. Other bonds, representing obligations of the predecessor company, Chicago & Eastern Illinois Railroad Co., are secured by direct lien on specific property and outstanding in only small amounts, while the preferred and common stocks, although a considerable way removed from dividends, are, nevertheless, influenced by potential prospects in the event of a restoration of adequate earning power, or of a merger with one of the larger systems. The bonds, having no market possibilities beyond par value, are susceptible to appraisal from the investment aspect alone. An improvement in their investment standing, however, such as to entitle them to levels within striking distance of par value, would provide a satisfactory profit for an issue of this type, and it is from the point of view of both income and profit that the bonds must be considered.

Chicago & Eastern Illinois Rwy. Co.

	1922	1923	1924	1925	1926	1927
Earnings available for interest (millions)....	$3.1	$3.6	$1.7	$2.4	$2.8	$2.6
Interest	2.3	2.3	2.2	2.2	2.2	2.2
Hire of equipment and joint facility rents (millions)	0.3(cr)	0.7(cr)	0.7(dr)	0.9(dr)	1.4(dr)	1.5(dr)

cr—Credit. dr—Debit.

Debt Scaled Down in Reorganization

Outside of an issue of Prior Lien 6s, pledged under a note due the Government in 1930, and none of which are outstanding in the hands of the public, the General 5s are the only funded obligation of the present company direct, having been issued in exchange for part of the securities of the predecessor company under a plan of reorganization in 1920. Chicago & Eastern Illinois Railroad Co. passed into receivership in 1913, but, owing to the war, reorganization was deferred for several years, the properties, with the exception of certain lines and coal properties formerly owned, being finally acquired by Chicago & Eastern Illinois Railway Co. Indebtedness was materially scaled down in the reorganization and the new company commenced operations with an extremely well balanced capital structure. Funded debt was and still is just under 50% of total, with the balance about evenly divided between 6% cumulative preferred and common stock. The road's position in this respect was far more advantageous than in the case of other roads reorganized around that period, but other factors have militated against the proper development of earning power such as to render this advantage effective.

Lack of diversification of freight traffic has been the outstanding handicap, particularly in view of the fact that increasingly depressed conditions have prevailed in the industry which supplies the bulk of that traffic. Products of mines constitute about 60% of freight carried, and the greater part of this is bituminous coal. Coal tonnage has fallen off between 4 and 5 million tons from its average a decade ago. The lines serve union mines located in Illinois and Indiana, but the wage situation has precluded active production in that territory in recent years, and Chicago & Eastern Illinois has consequently had to depend to a considerable extent upon less profitable coal traffic imported from other regions and received from connecting lines, in lieu of a normal volume of tonnage originating on its own lines.

Settlement of the bituminous strike in southern Illinois last fall was of little genuine value as it carried with it a continuation, pending further negotiations, of the Jacksonville wage scale, and operations on that basis, in competition with non-union fields, are impracticable. A new permanent agreement is scheduled for presentation within the near future, and the extent to which it permits competition with Kentucky and West Virginia operators will have a most important bearing upon the outlook for the balance of the year, both for the Illinois mines and for Chicago & Eastern Illinois.

The inactivity of the mines in the road's own territory affects the situation in other ways besides the direct loss in revenues. In the first place, the purchasing power of the population served is impaired, which in turn has an adverse influence upon the volume of merchandise and manufactured goods carried. It also creates a superfluity of coal car equipment, entailing substantial charges in recent years for equipment retirement. Of even greater importance is the effect on hire of equipment, which within a very few years has been converted from a credit balance to a debit balance. This item varies directly with the proportion of total traffic received from connecting lines. The saving that could be brought about through a return to the status existing as recently as 1923 in this respect is virtually equivalent to annual interest charges on the entire funded debt, so that by this means the margin of safety, which in 1927 amounted to $438,000, could be increased almost sixfold.

Some Improvement Noted

The company has made valiant attempts and achieved moderate success in increasing its proportion of higher grade freight, thereby reducing its dependence on coal traffic, and in every respect over which the exercise of control is possible, has materially improved its position. Operating ratio has been steadily lowered to a figure slightly in excess of 80%, as against 95% in 1920 and an average of about 85% in the intervening years, and the saving has been effected through operating efficiency as reflected in Transportation Expenses, and not at the expense of adequate maintenance.

In only one year since reorganization has Chicago & Eastern Illinois failed to cover bond interest requirements. There was a deficit of $568,000 in 1924; otherwise, the figure for net income after charges has ranged from a high of 1.3 million in 1923 to $162,000 in 1925, and last year, as already stated, amounting to $438,000. Resumption of normal operations by the bituminous mines in the territory, if sustained, would over a reasonable period of time increase this balance by an amount ranging from two millions upward, and bring about a situation where bond interest as now constituted

would be earned more than twice over.

The General 5s are the junior bond issue of the road, but, inasmuch as they constitute more than 80% of the entire funded debt, their secondary position assumes less significance, the prior liens outstanding aggregating less than 8 millions in comparison with about 34 millions of the General 5s. The latter are secured on all the property acquired in the reorganization, covering 825 miles of road, leased lines, trackage rights, franchises, equipment, securities, etc., now owned or hereafter acquired by means of bonds issued under the Prior Lien Mortgage, but subject thereto.

Specifically, the General 5s are a second mortgage on 650 miles of road, a third mortgage on 120 miles, a fourth mortgage on 14 miles, a second collateral lien on 42 miles, and a second collateral lien on securities with a par value of about 1.7 million. They are available in denominations of $500 and $100 as well as $1,000, and are redeemable at 100 as a whole only or by lot for sinking fund purposes. The sinking fund provides for setting aside $177,500 annually for the purchase or redemption of bonds at or below par, payable when earned out of operating income after deduction of interest, but cumulative if not earned in any one year. By this means the amount outstanding is being gradually reduced.

The General 5s this year have covered a market range between 93 and 85 as against 94 to 80 last year. At this writing they are selling at 88 to yield about 6% to maturity. The latest recession was occasioned by the publication of 1927 earnings showing only a moderate margin over interest requirements. This factor places the bonds in a semi-speculative position, but, in view of the impossibility of obtaining anything like the same return on a well entrenched railroad issue under present conditions, consideration of less favored issues on the part of investors willing to forego the highest quality on all their holdings is worth while, if there is reasonable assurance that the affairs of the road involved will show improvement rather than further retrogression.

While permanent improvement is largely predicated on the coal situation which is still far from being cleared up, the current showing of Chicago & Eastern Illinois appears to reflect the least favorable conditions likely to be encountered, and a reduction in the annual appropriation for equipment retirement, which is not dependent upon a resumption of activity at the mines, would itself enhance to a considerable extent the balance available for bond interest. Regarding the more fundamental aspect, investors should follow forthcoming developments pertaining to the status of the union mines in Illinois, for, if a satisfactory wage agreement should be reached permitting effective competition with non-union mines, the outlook for Chicago & Eastern Illinois would be such as to render the General 5% bonds decidedly attractive.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Government

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953 (a)	....	...	102½GT	103	5.3	5.3
Dominican 5½s, 1942 (a)	....	...	101G	100	5.5	5.5
Argentine 6s, 1959 (a)	....	...	100	100½	6.0	6.0
Haiti 6s, 1952 (b)	....	...	100	100	6.0	6.0
Chile 6s, 1960 (a)	....	...	100	95	6.3	6.4

Railroads

Atchison, Top. & S. F. Conv. 4s, 1955	267.4	4.75	110	93	4.3	4.4
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	98	4.6	4.5
Illinois Central 4¾s, 1966 (a)	....	2.25	102½GT	102	4.7	4.7
Pennsylvania 5s, 1964	....	2.78	105T	105	4.7	4.7
Southern Railway Dev. & Gen. 6s, 1956	133.8	1.90	....	120	5.0	4.7
Great Northern Gen. A 7s, 1936 (b)	139.8	2.64	....	115½	6.1	4.8
Central Pacific Guar. 5s, 1960 (a)	....	2.58	105GT	104	4.8	4.8
Missouri Pacific 1st & Ref. 5s, 1977 (a)	125.2	1 32	105A	102	4.9	4.9
Central of Georgia Ref. 5½s, 1959	31.1	1.80	105AG	108	5.1	5.0
Chesapeake Corp. 5s, 1947	... .	2.45	100	100	5.0	5.0
Western Pacific 1st 5s, 1946 (b)	....	2.29	100	100	5.0	5.0
Cuba R. R. 1st 5s, 1952	....	3.07	....	99	5.1	5.1
N. Y., Chic. & St. Louis Ref. 5½s, 1974 (a)	59.6	2.49	107½	107½	5.1	5.1
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.17	....	91½	4.4	5.1
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	105	5.23	5.2
Northern Pacific Ref. & Impr. 6s, 2047 (a)	166.7	2.32	110G	116¼	5.2	5.2
Wabash Ref. & Gen. 5½s, 1975 (a)	62.4	2.02	105AG	106¾	5.2	5.2
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	13.9	X	107½T	108½	5.5	5.3
Baltimore & Ohio Ref. & Gen. 6s, 1995 (a)	284.2	1.56	107½AG	112	5.4	5.4
Vicksburg, Shreveport & Pac. Ref. 6s. 1973 (d)	2.0	X	107½AT	106½	5.6	5.60

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942	34.6	1.95	105T	104	4.8	4.6
Utah Power & Light 1st 5s, 1944	....	1.86	105	102	4.9	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	....	4.09	106T	107	5.1	4.9
Montana Power Deb. 5s, 1962 (a)	34.7	2.62	105T	103	4.9	4.9
Hudson & Manhattan 1st Ref. 5s, 1957 (b)	5.9	2.11	105	101½	4.9	4.9
Columbia Gas & Elec. Deb. 5s, 1952	....	6.96	105T	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.69	....	100	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	2.41	107½T	108½	5.5	5.1
Amer. Water Works & Elec. Deb. 6s, 1975 (b)	12.7	1.33	110	110	5.5	5.4
Consol. Gas, E. L. & P. of Balt. 1st Ref. 6s, 1949 (a) (c)	32.2	2.69	107½T	106	5.6	5.5
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	1.76	105	95	5.3	5.5
Phila. Rap. Tran. 6s, 1962 (c)	10.0	1.21	105	105	5.7	5.7
Twin City Rap. Transit 1st & Ref. 5½s, 1952 (b) (d)	4.4	2.30	105T	97	5.7	5.7

Industrials

Allis Chalmers Deb. 5s, 1937 (a)	....	4.80	103T	101	4.9	4.8
Youngstown Sheet & Tube 1st 5s, 1978 (a)	....	4.12	105T	101	4.9	4.9
Gulf Oil Deb. 5s, 1947 (c)	....	15.39	104AT	101¾	4.9	4.9
International Match Deb. 5s, 1947 (a)	....	6.16	103T	100	5.0	5.0
Amer. Chain 6s, 1933 (a)	. ..	6 87	105	104	5.8	5.1
Chile Copper Deb. 5s, 1947 (a)	....	6.26	102T	97	5.2	5.2
Amer. Cyanamid Deb. 5s, 1942	....	4.10	100	97	5.2	5.3
Sinclair Pipe Line 5s, 1942 (a)	....	4.27	103	95	5.3	5.5
U. S. Rubber 1st & Ref. 5s, 1947 (b)	2.6	2.60	105A	93	5.4	5.6
Bethlehem Steel Cons. 6s, 1948	101.3	2.33	105	105	5.7	5.6
Loew's Inc. 6s, 1941 (ex warrants) (a)	....	6.70	105T	101	5.9	5.9
Schulco B 6½s, 1946 (a)	4.0	X	103T	103	6.3	6.2

Short Terms

Standard Milling 1st 5s, Nov. 1, 1930	....	4.75	....	101	4.9	4.5
Georgia, Carolina & Nor. 1st 5s, July 1, 1929	....	1.28	....	100¼	5.0	4.7
Sloss-Sheffield P. M. 6s, Aug. 1, 1929	1.6	6.79	105	102	5.9	4.7
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931 (a)	17.3	2.49	102	103¼	5.8	4.8
Central of Georgia Sec. 6s, June 1, 1929	31.0	1.80	101AT	101¼	5.9	5.1

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. Earnings are on five-year average basis unless available only for shorter period.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter.

Union Pacific Railroad Co.

A Premier Railroad Investment

High Asset Value of Shares—Stable Earning Power—Prospects for Shares

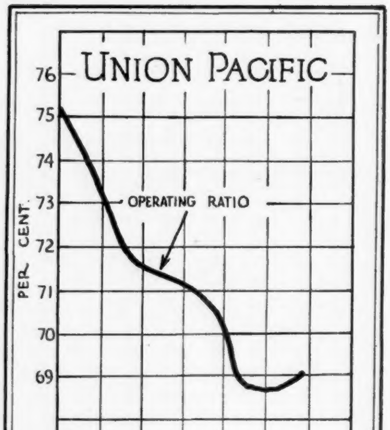
By MAX HALPERN

THE constructive factors entering into the affairs of Union Pacific are so numerous as to preclude comparison of this transportation system with any other of equal magnitude. Among the more favorable aspects are: the strategic location of its lines, its high operating efficiency and wealth of treasury assets. The latter are so vast and of such excellent quality that very few investment trusts can rival them.

Since the inception of the present company, it has enjoyed exceptionally capable management. Its shareholders have been treated with considerable liberality, Union Pacific being the only large railroad system that has supported an annual dividend rate of $10.00 per share on its common stock for so long a time, in addition to substantial extra distributions in the past.

The Union Pacific was originally projected during the discovery of gold in California, but the difficulties in building a railroad across the Rocky Mountains were tremendous and the construction was delayed. Aided by government subsidies, construction was started in 1864 and the line was completed through to Ogden, Utah in 1869. In 1880, the Kansas Pacific running from Kansas City to Denver was acquired. Later on, the Oregon Short Line was absorbed. The grants received from the government consisted of land amounting to 12,600 acres for every mile of road and cash advances ranging from $16,000 to $48,000 per mile according to the character of the country the road traversed. These advances subsequently became second liens on the property. Notwithstanding the aid rendered by the government, other enormous debts were contracted.

In 1893, a year of acute depression, the road was thrown into receivership. After considerable efforts, the road was reorganized and from what was once a formidable wreck, has since become a rich and efficient transportation property. The greatest strides in its development began in 1898, under the guidance of the late E. H. Harriman, whose administrative ability was largely responsible for its progress. The new management met the returning tide of prosperity promptly. Within a comparatively short time, it rebuilt a portion of the line, the main features of which involved the straightening out of the latter, the elimination of heavy curves and the reduction of grades to a maximum of approximately 43 feet per mile.



The main line is completely double-tracked and affords the shortest transcontinental route to the Pacific Coast. It extends from Council Bluffs, Iowa, which is situated on the Missouri River opposite Omaha, Nebraska to Ogden, Utah. It crosses Nebraska and Wyoming. Connection at Ogden and Granger, Wyoming is made with the Oregon Short Line which runs in a northwesterly direction across Idaho to Huntington, Oregon where it joins the Oregon & Washington Railroad & Navigation Company's lines. The latter continue across Oregon, reaching such cities as Baker, Hood River and Portland. From the last named city, a double-track line extends northward reaching Chehalis, Centralia, Olympia, Tacoma and Seattle, Washington, where it terminates. Other branches of this road reach Spokane, Walla Walla, the Couer deAlene mining district and the fruit growing regions of Washington. A branch of the Oregon Short Line also extends into Montana, terminating at Butte.

The Los Angeles & Salt Lake Railroad, complete control of which was acquired in 1921, extends from Ogden in a southwesterly direction across Utah, Nevada and California. It passes through such cities as San Bernardino and Pasadena, reaching the seacoast at Los Angeles. Paralleling the main line and running westward from Kansas City via Topeka is the old Kansas Pacific which terminates at Denver. A line from the latter city extending north to Cheyenne, Wyoming closes the western gap. Numerous branch lines including the controlled St. Joseph & Grand Island Railway close the eastern extremities. The southern stem traverses the extensive wheat fields of Kansas. The greatest interchange of traffic occurs at the Ogden and Omaha gateways. At the latter point connection is made with the Chicago and Northwestern railroad, in which an interest is held by the Union Pacific and with which close traffic relations exist. At Ogden, considerable traffic is interchanged with the Central Pacific, especially east bound agricultural products originating in northern and central California. This is a natural route for the Southern Pacific traffic, and largely explains why the latter property was once acquired.

Over two-thirds of the tonnage transported by Union Pacific originates on its own lines. Notwithstanding the fact that a considerable volume of traffic has been diverted through the Panama Canal, the total tonnage transported has increased from 27.1 to 34.5 million tons, a gain of 27.3% since 1922. Undoubtedly, the effects of diversion of traffic through the Canal has been unduly emphasized.

Products of agriculture comprised approximately 25% of the total revenue freight carried in 1926 and some improvement for 1927 was also publicly witnessed owing to the larger crops harvested in the territory. Products of mines totaled 32.2% and reflect an increase in tonnage of about 41% since 1922, a greater gain proportionately than the total tonnage. Forest products constituted 16.6% and this item has also increased in the past few years. Products of animals accounted for 4.4%, manufactures 18.3% and less car load freight 2.43%. The largest individual item carried is bituminous coal. The latter amounting to 14.6% in 1926 is followed by wheat, sand and clay products and lumber.

Long hauls and absence of expensive terminal operations characterize the traffic movements of Union Pacific. In 1926, each ton of freight was transported on an average a distance of 382 miles.

Careful analysis of gross revenues discloses what the management has accomplished since 1922. Passenger revenues have been declining steadily and without interruption since 1923. The inroads of the automobile have found reflection in a decrease of 37.6% in the number of passengers carried. Rates per passenger mile and the actual passenger mileage have also decreased. The foregoing explain the reduction of $7,624,090 in passenger receipts since 1923. Freight revenues have been increasing, notwithstanding a decrease of 8.3% per average ton-mile of freight transported. During the years 1922 to 1927, gross revenues increased $11,014,501 and of this amount $5,987,073 was carried to net railway operating income. In the face of declining rates for both freight and passengers and a diminishing volume of business in the latter, this showing is a tribute to the ability of the management.

It is true that the operating ratio declined from 74.58% to 68.7% during the period under consideration. The latter, however, is a function of several variable factors, some of which cannot be controlled. Transportation expense, which is the index of management efficiency, declined from 32.9% to 28.1%. This reduction of 4.8% absorbed most of the decrease in the operating ratio, which was reduced 5.88%. Maintenance of way increased slightly, although the actual train mileage indicated a slight decline. Maintenance of equipment remained constant and in such years where decreases are shown, the latter are due to lower costs of materials and rates of pay. Further analysis of maintenance for equipment discloses that the actual expenditures for freight car repairs has been rising steadily since 1922, the latter item having increased from $223 to $249 per unit in 1926. The greatly improved operating efficiency would not have been possible if maintenance charges were insufficient.

Ability to increase the average trainload without sacrificing speed is reflected in a decrease in train-hours. Since the latter represents the actual cost of moving a train, a reduction in this item results in lower transportation costs. The accompanying table reflects the progress made by the various components of the Union Pacific System, there being no consolidated data available. All the figures express the changes in per cent during 1922-1927. The inability of the Los Angeles & Salt Lake Railroad to decrease its train-hours is undoubtedly due to the fact that the correspondingly greater increase in trainload was attained at the expense of speed.

The only balance sheets that are comparable date from December 31, 1921, when the assets of the Los Angeles & Salt Lake Railroad were consolidated with those of the entire system. As a result of additions and betterments, the road and equipment increased $95,281,344. Approximately 160 miles of additional main track were constructed, tunnels relined and numerous wooden bridges were replaced with steel structures, enabling the movement of heavier trainloads. The number of freight cars was increased and since 1923, the average tractive power per locomotive increased 44%. Most of the improvements were financed out of excess earnings. Reflecting the latter was an increase of over $40,000,000 in the surplus account from 1921 to 1926. Funded debt increased $33,064,000 and other reserves approximately $21,000,000. For every dollar of capital expenditures, new securities were issued against but one-third of the latter. Union Pacific has always maintained a strong financial position. At the close of 1926, current assets totaled $67,634,940 and current liabilities were $36,025,960. Included in the current assets was cash amounting to $38,972,343. Though not included in the current assets, but regarded as such, was the item of $31,999,543 of United States Government bonds and notes.

The investment holdings are of such magnitude as to merit detailed analysis. Those in affiliated companies were last reported at $53,137,735 as against $33,633,992 at the close of 1921. Union Pacific has a long and interesting history as a holder of investments. Of importance are securities of other railroads consisting of stocks valued at $89,891,599 and bonds carried at $69,997,954 at the close of 1926. To develop and extend the business of the system and safeguard its sources of traffic, it acquired $75,000,000 of Southern Pacific common stock in 1901. As a result of a conflict with the Hill interests, who directed the affairs of Great Northern and Northern Pacific, large holdings of these roads were acquired in the open market. This was to gain control of the Chicago, Burlington & Quincy Railroad, whose stock was held by the two aforementioned roads. These various holdings were not destined to become permanent treasury assets of the Union Pacific.

Adjustment of difficulties with the Hill interest resulted in the formation of the Northern Securities Company to hold the Great Northern and Northern Pacific shares. Early in its existence the Northern Securities Com-

(*Please turn to page* 1073)

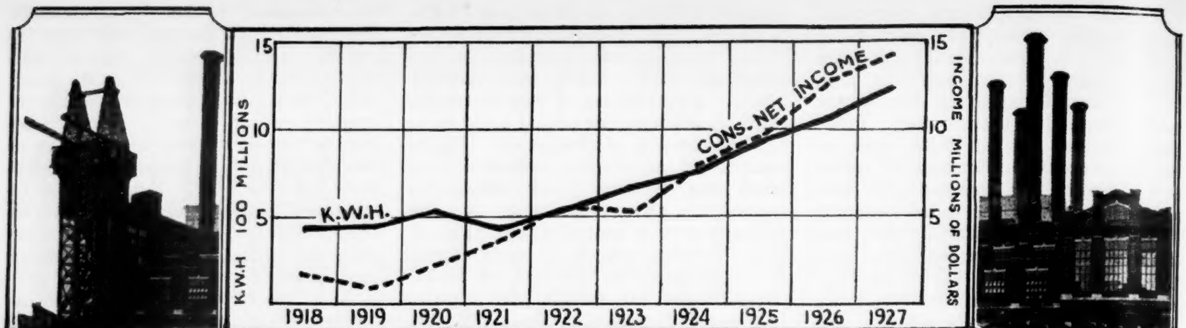
Item	Union Pacific	Oregon Short Line	Oregon & Washington R. R. & Nav.	Los Angeles & Salt Lake
Train Load	22.7	20.5	19.7	47.0
Train Speed Miles per Hr.	14.2	3.2	13.9	1.6*
Train Hours	12.6*	19.4*	16.4*	5.4
Fuel Consumption lbs. per 1,000 gross ton-miles	31.2*	17.5*	24.4*	8.3*

(*Decrease)

Union Pacific Railroad Company

Revenue Statistics

Year	Gross Revenues	Operating Expense	Net Railway Operating Income	Income from Investments, Etc.	Fixed Charges	Net Income	Earnings Per Shr. Common
1922	192,877,121	143,846,929	33,496,317	16,906,157	16,906,157	32,339,723	12.76
1923	211,318,465	152,249,080	39,660,245	17,513,566	17,251,606	39,992,205	16.17
1924	199,035,117	141,611,098	37,913,161	16,226,202	18,386,158	35,753,204	14.29
1925	198,039,900	138,842,479	40,038,645	16,539,697	18,347,283	38,231,060	15.41
1926	205,416,263	140,769,540	42,100,143	17,129,663	18,245,057	40,984,749	16.65
1927	203,891,622	140,334,442	39,483,390	....	....	....	.....



Public Service Corporation of New Jersey

Improvement in Transit Earnings Will Help Common Stock

Strong Position of Company

By G. F. MITCHELL

OPERATING in a territory embracing a large section of the commuting population to New York City, Public Service Corporation of New Jersey, in conformity with the spectacular growth of that state, has made rapid strides in the volume of service rendered. The record of recent years has been marked by uninterrupted expansion, and, while increased expenditures and capital charges have absorbed a considerable part of the gains in gross revenues, the situation has, nevertheless, redounded very much to the benefit of the common stockholder, whose holdings now have a share value in the market as great as that prevailing four years ago in the face of a three-for-one splitup in the meantime.

The company itself is a holding organization, operations being conducted through subsidiaries which serve approximately 82% of the people of New Jersey. Gross revenues of subsidiaries have scored successive annual increases for many years past, especially so since 1923, the figure for 1927 aggregating no less than 115 millions as against 47.3 millions a decade earlier. More than 50% of this increase has taken place in the last four years, a period in which so much has likewise been accomplished in other directions that the effect upon net earning power was cumulative, and the securities occupy a stronger position in their respective classes than ever before.

The great bulk of the revenues are derived from three main subsidiaries, two of which are now in process of consolidation. Electric and gas business, which under present conditions supplies virtually all the profits, is vested in the Public Service Electric & Gas Co., while transportation activities, formerly in the hands of Public Service Railway Co. and Public Service Transportation Co., operating street railways and buses respectively, will now be handled by these two companies in combined form, under the name of Public Service Coordinated Transport.

Transportation a Liability

Aggregate operations have been without the benefit of any net return from transportation activities. The latter, while contributing materially to gross revenues, have been a liability rather than an asset as far as profits are concerned, although the development of bus transportation is counteracting the losses sustained on the trolley lines, losses which themselves are now reduced to a nominal figure only. Traction difficulties are by no means confined to this company, but are in line with those experienced generally throughout the country during the last decade. They arose from a combination of higher costs, inadequate rates of fare, jitney competition, and the loss in business resulting from the great increase in the number of private automobiles. Public Service Corp. experimented with several different fare systems, and was further handicapped by a serious strike in 1923, which entailed a 20% wage increase. It met jitney competition by instituting its own bus lines, which in recent years have been rapidly extended and rehabilitated until they were able to show a small profit in 1926.

The coordination of bus and trolley lines, brought about by the recent consolidation, should be productive of further economies and hasten the return of the transit system to a profitable basis. As a result of the expansion in bus service, total passengers carried have been increasing more than 30 million a year, counteracting with a substantial margin to spare declines in the number of trolley passengers. Wage agreements are now in effect until October 1, 1929. The attainment of an adequate margin of profit on the transportation end of the business from now on depends to a considerable extent upon the degree of cooperation that can be worked out between the company and the state and municipal authorities.

Public Service Electric & Gas Co., the electric and gas operating subsidiary, ranks among the leading electric power and light properties in this country. The company was formed in 1924 as a merger of three principal subsidiaries of Public Service Corporation, being the first step in a general plan for unifying more completely the various gas and electric properties already controlled. Shortly afterwards seven smaller operating units were absorbed, leaving about thirteen others still operated under lease. Nine of the latter were to have been merged with Public Service Electric & Gas last year through exchange of their securities for cash or in specified ratios for either Public Service Electric & Gas preferred stock or Public Service Corp. of New Jersey common stock, but the matter is still in abeyance pending the outcome of objections, supported by legal action, on the part of certain interests connected with some of the companies involved, on the ground that the terms of exchange were not equitable. It is a matter which should be ironed

out satisfactorily in time, and need not be regarded as a permanent obstacle to a complete integration of the gas and electric properties.

Electric Business Up

Growth in electric business is the primary factor responsible for placing the company in the strong position it occupies today. Sales of electricity in 1927, after excluding inter-company current supplied to the street railways, reached the record total of 1,234 million kilowatt hours, more than three times the figure ten years earlier, and an increase of over a billion kilowatt hours since 1915. The billion mark was passed for the first time in 1926. Electric revenues in 1926 contributed more than 44% of the total as against less than 31% in 1921. It is only a very few years since revenues derived from gas properties averaged nearly as large as electric revenues, but the ratio in favor of the latter at this time is almost two to one. The number of electric meters in service is now approximately equal to the number of gas meters, which illustrates the manner in which electric service has established itself as a household necessity, for it is only six years since the number of gas meters was twice as great, and it has itself undergone a substantial gain in the meantime. Industrial business is quite as important as household service, accounting for considerably more than half the annual sales volume. It is estimated that Public Service Corporation supplies as much as 60% of the aggregate power requirements of manufacturing establishments in New Jersey. Manufacturing operations in that state cover a wide variety of industries, a fact which militates against any undue decline in power consumption during any given period.

Super-Power Developments

There are ten electric generating stations in the system, serving over 781,000 customers through 1,340 miles of transmission lines and 35,000 miles of distribution wire. The gas system includes twelve generating plants, with 4,300 miles of mains serving about 715,000 customers. In connection with its electric power activities, the company has participated actively in the general tendency on the part of the public utility industry in recent years towards the development of interconnected load, popularly known as super-power. Developments of this character are still in their early stages. In the years to come much progress will undoubtedly be made in effecting a tie-in between the leading power producers in the East, in order to facilitate the diversion of power to points where it is most needed at any particular time. An ambitious interconnection program is already under way with Philadelphia Electric Co. and Pennsylvania Power & Light Co., whose operations cover the greater part of the state of Pennsylvania outside of Pittsburgh. Public Service Corporation in the past has purchased some of its current from Philadelphia Electric. The affiliation is interesting from the point of view of future developments. Philadelphia Electric was recently merged with United Gas Improvement, which company owns a substantial block of Public Service Corporation common stock. Further evidence of the tendency towards closer cooperation is furnished by the recent amalgamation of the construction and engineering subsidiaries of United Gas Improvement and Public Service, forming, together with two other concerns of a similar nature, what is reputed to be the largest organization of its kind in the country.

Capitalization of Public Service Corporation consists of funded debt, three issues of preferred stock, and common stock. The funded debt of the holding company, as distinguished from the much larger amount of subsidiary obligations, aggregates approximately 67 millions. Two issues of 5½% and 6% bonds were recently retired with the proceeds of a new offering of 4½% debentures, convertible before February 1, 1930, into common stock on the basis of 22 shares for each $1,000 bond.

Public Service Corp. of N. J.

	1920	1921	1922	1923	1924	1925	1926	1927
Kilowatt Hours Sold (Millions)	505.8	432.1	534.5	666.8	743.1	919.5	1,091.7	1,234.0
Gas Sold (Billion Cubic Feet)	16.5	16.6	17.7	19.6	19.9	20.3	22.2	22.6
Passengers Carried (Millions)	453.5	435.7	410.2	356.1	497.2	562.8	597.3	622.3
Gross Operating Revenues (Millions)	$72.3	$75.3	$78.4	$79.1	$87.7	$94.7	$106.3	$115.0

At this writing the debentures are selling at a premium of about seven points over their conversion value based on prevailing levels for the common. An investor with confidence in the outlook for the common stock over a two-year period may employ this means rather than purchasing the common direct, if he prefers to pay a premium for the protection afforded by an investment security in the event of a setback in the common influenced by general market conditions.

Funded debt of subsidiaries is in a constant state of flux, but roughly amounts to around 190 millions. After deducting all charges on subsidiary securities and on senior securities of Public Service Corporation, there remained a balance in 1927 of 9.3 millions available for Public Service common stock, equivalent to $2.24 per share on 4,153,613 shares outstanding. This balance constitutes about 8.1% of the gross operating revenues of the entire system. At first sight this equity of the common stock in gross revenues appears to fall short of what would customarily be regarded as an assurance of stability, and, in this case, the security of the junior shares would be predicated on a continuation of the favorable trend in total revenues, and their status more of a speculative than an investment character.

It should be remembered in this connection, however, that the transportation end of the business, although contributing nearly one-third of the gross revenues, yields little in the way of profits, so that it is more nearly correct to consider the common stock equity in relation to total revenues derived from electric and gas operations, which gives a ratio close to 11.5%. It is reasonable to assume that the transit lines from now on should do no worse than break even, and any profits that may accrue from this source in future will represent a clear gain. Therein lies the principal speculative attraction, for requirements in connection with further increases in preferred stock will absorb a considerable part of the gains logically to be expected in gas and electric revenues.

The three preferred stocks are of equal rank except with respect to dividend rates. Dividend rates are respectively 6%, 7%, and 8%. The 6% preferred is outstanding in the largest amount, and has been employed extensively as a medium for new financing and in customer ownership campaigns. The company is one of the foremost exponents of customer ownership in the public utility field, and in the last six years has raised approximately one-third of its new capital expended on expansion and development in this manner.

Conclusion

The senior securities of both Public Service Corporation and Public Service Electric & Gas rank as sound investments in their respective classes, the yields on the bonds averaging around 4.7% and on the various preferred stocks about 1% additional. As already pointed out, the principal issue of Public Service Corporation, the new debenture 4½s, is an exception owing to the potential value of the convertible feature. The common stock at current levels around 45 is near its market peak and selling about twenty times its 1927 share earnings. *Under such circumstances it can hardly be classed as a bargain, but at the same time possesses investment merit based on the strong position of the company with respect to its power and light operations. Possibilities for material appreciation in market value appear to rest largely on the future of the transportation system.*

Thumbnail Sketches of 6 Stocks Favored by Change in Season

INDUSTRIES are affected by seasonal changes. Automobile companies always do better in spring and summer than in Winter. Certain types of food companies are favored by warm weather. Other companies are benefited by the cooler seasons. In this feature, we have selected six companies whose business should show seasonal improvement during the coming months and have analyzed their shares.

1—American Ice Co.

Increase in Margin of Profit a Satisfactory Feature

Yr. end. Dec. 31	Net Earnings	Net Per Share	Range of Common High	Range of Common Low
1927	$2,651,090	$2.92	34¼a	25¾a
1926	2,716,706	4.27b	34b	27¼b
1925	2,974,256	5.43b	34¾b	20¾b
1924c	1,751,739	2.84b	24b	18b
1923d	1,838,266	3.13b	27⅞b	19½b
1922d	2,286,180	4.62b	30⅛b	19½b

a To March 24. b Old strock translated to terms of new no par stock by dividing by four. c 14 months ended December 31st, except range of stock, which is for calendar year. d Year ended October 31st, except range of stock, which is for calendar year.

BECAUSE of an unusually cool summer, the earnings of American Ice Company for the first nine months of 1927 were about $400,000 less than in the first nine months of 1926; but a warm fourth quarter nearly took up the slack, and for the calendar year profits were only $65,616 less than in the preceding 12 months, the net applicable to the 600,000 shares of common stock being $2.92 a share after preferred dividends. The warm weather continued through January, the company operating at a profit of $95,468 before taxes whereas the first month of the year usually results in a small operating deficit.

Strangely enough, ice companies have gained, rather than lost, from the advertising campaigns of the electric refrigerator companies. Mechanical refrigerator companies have stressed the need and economy of all-the-year-around refrigeration, and have made people think in terms of refrigeration more than ever. At the same time, the gradual increase in the standard of living in big cities has been reflected in ice consumption.

Profit margins, formerly exceedingly treacherous, have been brought under better control by changing over from natural ice to artificial, or manufactured ice. This company, in particular, which ten years ago was almost entirely dependent on natural ice, the cost of harvesting which varied greatly with weather conditions and unadulterated luck, now manufactures practically its entire output at conveniently located, modern plants. Property improvements which reduce transportation costs, and manufacturing costs as well, constantly are being made. A large part of the improvement is being financed from earnings.

The markets of the American Ice Company include Boston, New York, Philadelphia and Washington as well as much territory suburban to these centers of population. A large part of output is wholesaled to retail dealers, eliminating an uncertain human element which in the earlier days kept the company's management constantly "in hot water"—a particularly bad thing for an ice company. By dealing with the public through intermediaries, eliminating rising transportation costs, and controlling inventories through manufacturing plants instead of being controlled as to inventories by winter weather conditions, American Ice has developed from a weak industrial to a substantial company.

Except for a funded debt of a little over $6,000,000, the company has no capital liabilities aside from 150,000 shares of $6 non-cumulative preferred stock and 600,000 shares of no par value common on which dividends are paid at the annual rate of $2 a share. The present common is the result of a four for one split of the old $100 par value shares which sold as low as 8⅞ in 1917 and as high as 139 in 1925. The table gives an adequate idea of the trend in earnings in late years.

Selling at around 33, American Ice common is priced at about 11 times 1927 per share earnings and through its $2 dividend yields 6.1%. Most industrial stocks of equal investment grade and commensurate speculative possibilities are selling on a considerably higher basis. The stock always has had a rather erratic market, but gradually is living down its past. It appears to be reasonably appraised, and in event of a good summer season probably will show material appreciation.

2—National Dairy Products

Larger Equities Through Expansion a Market Factor

HALF a decade ago, when dairy shares were first introduced to the public in a big way, conservatives avoided them, partly because of the highly seasonal character of the business. As a matter of fact, the milk and ice cream business lends itself to large scale operations in a most advantageous manner. As everyone knows, the demand for milk and ice cream rises and falls with the temperature; but the supply of milk does not. During the spring months, and in cool summers, there usually is a surplus of milk; but in order to secure a supply for the hot months, dealers must take the production of farmers the year around. The big company, with condensed milk factories, cheese plants, butter creameries, etc., can take care of the milk surplus when the small milk distributor and ice cream maker cannot. Because it can afford better equipment, it can give the public better products; and by taking care of surplus supplies profitably through the dull season, it can assure customers of a more adequate peak supply.

National Dairy Products, organized in 1923, is one of

the largest handlers of milk and manufacturers of ice cream in the United States. It controls Sheffield Farms, Rieck-McJunkin, Hydrox Corporation, The J. T. Castles Ice Cream Co., Chapell Ice Cream, Luick Ice Cream, Nashville Pure Milk, Pittsburgh Ice Cream, Hoffman Ice Cream, Hydrox, Breyer, and a host of smaller units, the form of corporate organization being in some ways similar to that of the big public utility holding companies. Subsidiaries serve over 1,600 cities and towns in 13 states, ranging from New York westward to Nebraska and southward to Tennessee, employing about 14,000 people and selling annually well over 125,000,000 gallons of milk products and more than 25,000,000 gallons of ice cream, not to mention butter, cheese, milk, sugar and special products.

National Dairy Products

	Market Value	Cash Dividends
100 Shares bought in December, 1923......	$3,200	None
High, 1924	4,425	$225.00
High, 1925	8,187	300.00
High, 1926	8,000	300.00
High, 1927 (increased to 133⅓ shares by stock dividend)	9,044	349.50
High, 1928 (to March 15th)	9,642	399.00x

x Assuming no increase in dividend this year.

The accompanying tabulation gives some idea of the benefits which have accrued to stockholders through constant absorption of other companies. Much of this expansion has been financed through the issue of common stock for properties, but stock has been issued in such a way as to increase the earning power of the shares and lead to a quite consistent gain in stock market appraisal of each unit. While a somewhat complicated financial structure has developed, there is a good prospect that this will be simplified gradually through consolidating bond issues and placing more and more of the total of securities outstanding in the common stock of the holding company classification.

Much of the increase in earning power reported during the past five years has been due to external expansion, but the organization also has grown from within. The consumption of milk gains annually, helped along by health propaganda and the ceaseless trend toward a higher standard of living. Ice cream trade is constantly moving away from small producers to the larger manufacturers. Then, there is the purely "secular" growth of business which always is enjoyed by a company with such wide territorial ramifications. As time goes on, the economies of large scale operations will become more and more evident, and the profit margin probably will widen further.

Notwithstanding a very poor summer, in 1927 the company earned between $7 and $8 a share, with the help of newly-acquired subsidiaries, setting up a new total for net income. Given a good summer in 1928, earnings easily could rise to around $10 a share, and the dividend of $3 a share on the common could be increased. Financial position is good, turnover of inventory necessarily is very rapid, and margin of gross profit is wide. Perhaps in no business is the trend so emphatically toward the large unit. Even in small communities, there seems to be a preference in the public mind for dealing with the big milk companies.

National Dairy Products common is one of the food stocks which seem to be selling lower, on the basis of values, than the rank and file. It is one of the soundest industrials. If the past is any measure of what may be expected in the future, the stock is a particularly desirable long pull investment.

3—Owens Bottle Company

Patents Give Company Competitive Advantage

BECAUSE Owens Bottle Company sells such a large part of its output to beverage concerns with a highly seasonal business, earnings fluctuate much more rapidly than in the days before the enactment of the Eighteenth Amendment. Although in late years, no three months of operation have resulted in a deficit, it is noticeable that the second quarter usually is the best fourth of the year and that the fourth quarter usually is the poorest. Likewise, the third quarter generally is better than the first. The advent of prohibition resulted in important unsettlements in the company's affairs, but a larger soft drink consumption in later years has compensated for loss of business from distillers and brewers.

The influence of the soft drink trade on the company's profits is adequately demonstrated by the decline in earnings reported for last year. An exceptionally cold summer worked havoc with the sales volume of some of the less favorably situated beverage companies, causing them to buy fewer bottles. Some investors, forgetting that in 1926 earnings were swelled by non-recurring profits from the sale of properties as well as by a better soft drink season, reasoned that there was some unseen unfavorable influence operating in the corporation's affairs. As a matter of fact, the 1927 decline in net was due to factors of a passing nature and causes no uneasiness among those who have an adequate insight into the affairs of the Owens Bottle Company.

Although the demand for certain types of bottles is seasonal, the company, making, as it does, practically every type of glass container, is favored by a splendid diversification of business risks. Bottles are made for the drug and patent medicine trade, for the chemical trade, for the oil companies, for certain polish manufacturers, for dairymen, and for many other industries. In many of these lines other types of containers never can be substituted.

The company not only is the world's largest maker of bottles, but it also owns the basic patents under which most of its competitors operate. Through these patents, the company controls the manufacture of bottle making machines which are sold or leased to other manufacturers on a royalty basis. By constantly improving bottle machinery, a strong patent position always is maintained. Since the company, itself, does not own the basic patents but acts as exclusive licensee from the inventors, who are large shareholders, it has to pay royalties; but the per unit royalties paid to the inventors are not so large as the per unit royalties received from other manufacturers. Through this royalty preference, a constant competitive advantage over other bottle companies is enjoyed. About 65% of net is understood to be derived from manufacturing, about 25% from royalties, and the remainder from miscellaneous sources. The company owns valuable natural gas properties, thus obtaining directly the greater part of its fuel requirements. Some of these natural gas properties have not been exploited, and promise in future years to be a larger factor in the corporation's prosperity.

Aside from a small issue of preferred stock, the 766,387 shares of common stock of $25 par value, which pay regular quarterly dividends of 75 cents a share and for the past three years have paid extras in cash and stock, constitute the company's only capitalization. Net last year was about $5.25 a share, and total dividend distributions amounted to $4 in cash and 5% in stock. In 1926, profits were almost a million dollars larger, dividend declarations aggregating $5 in cash and 5% in stock.

At the end of September, 1927, current assets were 17.9 million against 2.2 million current liabilities. Holdings of cash and equivalents were 10.1 million. Balance sheet position for years has been uniformly strong, making possible

the distribution of the greater part of net earnings as dividends.

The common stock naturally has been depressed a bit by the decline in earnings reported for last year. It recently has been selling out of line with other shares of equal investment grade, and still is priced well below its former high of 90¾ in 1926.

Over a period of years there are few investment issues which have returned such good dividends and good profits to holders. There is no reason to expect that the use of bottles will grow less rapidly in the future, or to think the company will fail to maintain its outstanding leadership. The table shows the course of an investment in the stock during the past few years. In the years prior to 1925 dividends and principal appreciation were equally satisfactory, although there was a letdown right after the adoption of the 18th Amendment.

Owens Bottle common stock is a seasoned issue. At current prices it seems to be one of the most reasonably valued high grade common stock investments.

Owens Bottle Company

100 shares at 1925 high cost	$6,937.00
5% stock dividend in 1926 increased to 105 shares.	
5% stock dividend in 1927 increased to 110¼ shares.	
5% stock dividend in 1928 increased to 115¾ shares.	
115¾ shares now worth (at 83)	$9,607.00
and	
Cash dividends on the investment since Jan. 1, 1926, have totaled	$1,152.00

4—Canada Dry Ginger Ale, Inc.

Swift Progress Translated Into Growing Profits

BY manufacturing a quality product and advertising it in a most effective manner, Canada Dry Ginger Ale, Inc., has developed a highly prosperous and rapidly growing business in an exceedingly competitive field in a surprisingly short time. The product, "Canada Dry," now so widely sold in first class hotels, at clubs, in railroad dining cars, on steamships and at stores which cater to discriminating tastes, has been manufactured in Canada under the present trade name for many years, but prior to 1923 was not distributed in volume in the United States. In five years sales have increased about 1,400%, and the company's net earnings have increased about 2,200%. Growth is pictured statistically in the table.

Like other soft drink concerns, the company's business is more or less seasonal, the greater gross usually being experienced during the second and third quarters of the year; but because of the particular field of the soft drink line in which it specializes, monthly fluctuations in net are reduced. In order to accomplish a better seasonal distribution of sales, there has been some discussion recently regarding the advisability of taking on some additional products. The annual report for 1927 mentions that an option is held at present on the entire capital stock of the Campfire Corporation, which makes the well known Campfire marshmallows and Campfire marshmallow creme. In addition to Canada Dry, the corporation already sells Magi, Adanac and Duncan table waters and Sumoro orange juice, the latter a product with considerable possibilities.

Due to unseasonable weather last summer, earnings and sales did not gain quite as rapidly as in the years just preceding, but the annual report shows that net profits increased 34.4% over 1926 in spite of a gain of only 14.3% in distribution. Advertising expenses are more important than manufacturing costs in determining the margin of profit, which always is much larger than that in most industries. In one respect the business is like the chain store trade; last year the entire inventories were turned over completely every 24 days. At present "Canada Dry" has been introduced only in Canada, along the Eastern seaboard, and in the Middle West. Gradually it probably will find a nation-wide market. If the management follows precedent, the greater part of the expansion will be financed from earnings. This should mean rather remarkable profits for stockholders who are willing to hold their investment patiently, ignoring minor stock market fluctuations which really are of only passing significance.

The big point about Canada Dry Ginger Ale, Inc., is that it has been able to establish a reputation for manufacturing a higher grade ginger ale—a product which sells at a premium over most other grades, but the cost of which is only a very little higher than the cost of the ordinary grades. The ingredients used are of the best quality obtainable, and blending and mixing is carried out with the greatest care. In merchandising, the management has not attempted to indulge in price competition for the sake of obtaining a larger volume; but has depended for volume on the quality of its product and effective advertising.

Last summer an important factor in the market for Canada Dry shares was a rumor that the company might be absorbed by Postum. It is understood that some negotiations were in process at the time, but that no agreement could be reached. Since the collapse of the consolidation plan, the management of Canada Dry has demeaned itself in such a way as to indicate that the company is more likely to become a nucleus around which a merger of food companies may be built than to lose its independent identity through being taken over by some larger corporation.

Canada Dry Ginger Ale, Inc., is free from funded or floating debt and has but 459,903 shares of capital stock of no par value outstanding. Net earnings last year were equal to $5.08 a share. The regular dividend rate on the stock is $3.00 per annum, and from time to time extra distributions in cash or stock are ordered. At current prices (around 64) the stock yields 4.7% without extras and is selling for a little less than 13 times 1927 per share earnings.

It is a good sound specialty stock which may be accumulated for long pull profits whenever obtainable at concessions. The market in it is more or less erratic, but should become more dependable as the issue becomes better seasoned. Inasmuch as the issue has had a substantial advance, a recession in price should be waited for before the investor considers a purchase.

Canada Dry Ginger Ale, Inc.

	Cases Sold	Net Earnings	Earned Per Share
1922	16,345	$48,324	x
1923	103,000	98,248	x
1924	440,000	493,552	$1.15
1925	973,000	1,238,779	2.88
1926	1,360,000	1,736,298	3.85
1927	1,500,000†	2,334,181	5.08

x No figures given because old capitalization would make comparisons of no significance. † Approximate figure.

5—Borden Co.

Will Benefit from Recent Acquisitions

Borden's Dividend Record

Dividends were paid in calendar years since organization as follows: On the preferred stock, regular quarterly dividends of 1¼% were paid from 1901 to December 15, 1925, when the preferred stock was entirely redeemed and cancelled.

On the common stock as follows: 1899, 2½%; 1900, 4½%; 1901, 7%; 1902, 6¼%; 1903, 9½% (incl. 1½% extra); 1904-1907, 10% (incl. 2% extra); 1908-1916, 8%; 1917, 8½% (extra ½% Red Cross dividend); 1918-1923, 8%; 1924, 10%; 1925, 8%; 1926, 10% (incl. 2% extra); 1927, 10%; 1928, March 1, 3%.

INCORPORATED in April, 1899, as an outgrowth of a business established in 1857, Borden Co. is a pioneer in the condensed milk manufacturing field, its subsequent expansion having been practically continuous. Many lines of evaporated, malted and dried milk products have been developed, and an important division of its business is the distribution of fluid milk, cream, butter, eggs and dairy products in New York City, and suburban territory, Chicago and environs, and in Ottawa and Montreal.

More recently, through the acquisition of the Reid Ice Cream Corp. and of J. M. Horton Ice Cream Co., Inc., operations have been extended to include the manufacture and distribution of ice cream, and through Merrell-Soule Co. (now Syracuse Food Products Co.), also recently acquired, the company manufactures dried milk products sold under the trade names "Klim," "Breadlac," "Pariac" and "Merrell-Soule," and also manufactures "None Such Mince Meat."

The importance of these acquisitions is manifold. In the first instance, Borden, heretofore, enjoyed its greatest activity during the winter months and had a surplus of supplies during the warmer months, whereas the ice cream companies recently bought usually are most active during the months of June, July, August and September, and have a surplus of supplies during the winter months. The winter surplus of the ice cream companies can be utilized to advantage in operations of Borden as formerly constituted and, likewise, the summer surplus of the latter can be used beneficially in the ice cream business, so that future income of the consolidated company should be augmented. Further, expected savings to be effected by centralized management and purchasing power should be an additional contribution to enhanced returns.

Giving effect to new capital stock issued in connection with acquisitions referred to above, and 78,104 additional shares currently offered to existing shareholders at $105 a share, in the ratio of one new share for each twelve held, capitalization consists solely of 1,015,352 shares of $50 par capital stock. Following the post-war deflationary years, profits have shown consistent yearly expansion through 1927, earnings in the latter year being equal to $10.32 a share on 693,414 shares against $10.86 a share on 630,896 shares in 1926. The foregoing does not take into account, of course, the increased capitalization of the larger company, or the benefits to be derived from recent acquisitions.

Latest balance sheet discloses an impregnable financial position. On December 31, 1927, current assets, including approximately 21 millions cash and its equivalent, amounted to 35.4 millions, against current liabilities of about 10.7 millions, leaving 24.7 millions net working capital. Directors have pursued a liberal dividend policy when conditions have warranted, payments at varying rates having been made continuously since organization. Disbursements are now being made at the rate of $6 a share annually. At recent quotations of around $165, the shares yield an annual return of about 3.64%. *The stock is a sound investment and should prove a satisfactory holding, especially if it could be secured on a sizeable reaction.*

6—Munsingwear, Inc.

Displays Exceptional Stability in Erratic Textile Field

Munsingwear, Inc.

	1924	1925	1926	1927
Sales (millions)	$13.4	$15.8	$18.0	$17.4
Net Income (millions).......	0.4	0.8	1.3	1.2
Net Working Capital (millions)	6.3	6.8	8.3	9.2

STIMULATION of warm weather on sales, while particularly applicable to the dairy, soft drink, and related industries, is likewise found in certain lines of the textile industry. Textile conditions have been so chaotic that the principal difficulty in taking advantage of such seasonal characteristics is in selecting a company with sufficient stability to render its stock worthy of confidence. Munsingwear, Inc., derives by far the greater part of its earnings in the second half of its fiscal year, ending November 30. It is a holding company, owning practically the entire common stocks of Munsingwear Corporation and Wayne Knitting Mills, engaged in the manufacture respectively of underwear and hosiery. The holding company was organized in 1923 in order to bring under a single control the businesses of the two aforesaid subsidiaries. Dividends at the rate of $3 annually have been paid continuously since that year, a rate which, at the current market for the stock around 50, is equivalent to a return of 6%.

The capitalization of the company is noteworthy for its simplicity, there being only a single issue of common capital stock amounting to 200,000 shares of no par value, preceded by no prior capital obligations whatever, as far as the company itself is concerned, although there is still outstanding about 3 million dollars of subsidiary preferred stock. Earnings in the last fiscal year ended November 30, 1927, were equivalent to $5.95 per share, as against $6.64, $4.24 and $2.00 in the three preceding years, the last, which occurred in 1924, being decidedly subnormal and due to especially unfavorable conditions prevailing generally in the trade at that time. In spite of the moderate falling off in income last year, the financial position was materially improved, inventories declining 2 millions, cash gaining one-half million to a figure within striking distance of 1 million dollars, and bank loans dropping from nearly 3 millions to only $300,000. Total current assets of 10 millions alone were equal to the present market value of the entire capital stock.

Munsingwear Corporation and Wayne Knitting Mills, the two operating subsidiaries, date back to 1887 and 1891 respectively. Prior to the combination in 1923, and with the exception of 1921 and 1922 in the case of Munsingwear Corporation, both companies paid dividends on their common stocks regularly over approximately a twenty-year period, occasionally in stock but for the most part in cash. The success of the organization as now constituted, during a period when the textile trade as a whole has had rather hard sledding, may be attributed in part to an ability to adapt itself readily to changes in demand, and, in accordance with this policy, the former standard lines of cotton and woolen underwear have given way to a considerable extent to silk and rayon products. The company in anticipating this situation more than maintained its sales standard during the transition period. *Progressive management, earnings well in excess of dividend requirements, and the great improvement in the financial status of the company, would appear to entitle the shares to a higher market valuation in relation to earning power than has been the case thus far.*

Capital Expenditures Improve Status

Diversion of Profits from Payment of Dividends to Investment in Properties Has Increased and Stabilized Earning Power

By NEWTON R. CALLEY

THE policy of pouring earnings back into the property has vastly improved the physical and financial position of the Cuyamel Fruit Company. Many millions have been expended in irrigating its banana lands in order to combat the droughts from which the company's crops have suffered in the past, and thus its earning power has been to some extent stabilized. Expenditures for extending the company's sugar plantations have opened up new sources of revenue. Furthermore, its financial structure has been so firmly buttressed that the company as a whole presents a very different picture from what it did four years ago.

Organized in 1923

The present Cuyamel Fruit Company was introduced to the public early in 1913 when 55,000 shares of stock were offered for subscription at $53.50 a share. It succeeded at that time an earlier company of the same name through a formal reorganization involving the consolidation of a number of subsidiaries and a revamping of the financial structure. Capitalization consisted of 250,000 shares of stock, including the above mentioned 55,000 shares, and a funded debt of approximately $3,700,000. The company owned extensive lands in Honduras and Nicaragua under cultivation for bananas and a fleet of eleven steamships used for the transportation of its products to the United States as well as for the carrying of passengers and a general cargo. Cuyamel Fruit Company is considered the second largest organization in the industry.

Operating conditions were favorable in the company's first year, and its stock was placed on a $4 annual dividend basis. As may be seen from the accompanying tabulation of earnings, Cuyamel Fruit Company's profits in 1923 have not since been equalled. Droughts seriously interfered with crops in 1924, 1925 and 1926, and for a time the price of bananas dropped to unsatisfactory levels. The climax to the company's difficulties came in the latter part of 1926 when crops were disastrously affected by a visitation of the "eleventh year locust." As a result of these conditions the quarterly dividend of $1, maintained regularly since its inauguration, was omitted early last year. Since that time all earnings have been turned back into the company, serving to carry out a policy of protecting the property against the handicaps under which it had suffered in the past.

Throughout the period of the company's difficulties its earnings, while far from satisfactory, held up comparatively well considering the unfortunate operating conditions. Dividends were not earned, it is true, but heavy chargeoffs were made: the $5,482,861 amortization and depreciation charges of the past five years are equivalent to more than $18 a share on the present 300,000 outstanding shares. Furthermore, the company was making a start on its extensive improvement program. Droughts were being gradually combatted by extending irrigation systems throughout its banana lands which aimed at placing the crops ultimately in a position as independent as was physically possible from the vagaries of the tropical weather. Early in 1925 additional funds were obtained from the sale of 50,000 shares of stock at $48.50 a share, bringing company's capital up to 300,000 shares at which figure it remains today. These funds also were used for furthering the company's program. An additional stimulus to the development plans was derived when dividends on the stock were omitted and such funds were made available for speeding up the project.

Extensive Progress Made

The financial position has been strengthened greatly. How vastly improved it was at the end of last year as compared with December 31, 1923, can be best shown by a comparison of some of the important balance sheet

Cuyamel Fruit Company

	Earnings from all Sources	Amortization & Depreciation	Interest Charges	Allowance for Fed. Tax	Net Earnings for Stock
1923	$4,274,160	$1,156,021	$497,628	$236,204	$2,384,307
1924	2,437,650	1,197,340	523,963	8,296	708,051
1925	2,583,738	1,102,906	421,613	....	1,059,219
1926	1,984,146	989,329	327,302	55,345	612,170
1927	3,314,975	1,037,265	318,660	89,760	1,869,290

Earnings on Stock by Quarters for Past Three Years

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter*
1925	$270,505	$537,421	$72,486	$178,807
1926	310,315	703,380	15,843	(d)417,368
1927	(d)173,331	870,246	770,527	401,848

(d) Deficit. * Estimated on basis of first nine months.

	PRODUCTION	
	Bananas (Stems)	Sugar (lbs.)
1923	6,805,017	16,580,591
1924	6,776,440	30,532,950
1925	8,282,893	35,207,100
1926	6,994,163	38,901,525
1927	8,973,945	40,407,960

items as of those dates. The comparison becomes all the more striking when consideration is taken of the fact that in 1923 the company's stock was on a $4 dividend basis and selling around $70 a share whereas at present no dividend is being paid and the stock is some 20 points lower.

Present Financial Position

At the end of last year cash and certificates of deposit were $1,795,-048. This was sufficient to take care three times over of all current liabilities of $667,683, and was in sharp contrast to the company's position at the end of 1923. Cash then totaled only $577,126, against current liabilities of $3,064,783, and of this latter item $1,929,841 represented bank loans. In the four-year interval bank loans had been entirely paid off and a substantial cash backlog built up.

Fixed assets had been written down substantially during the four years. Lands under cultivation, including the value added to such lands by irrigation systems and the erection of various necessary equipment, were carried at the end of last year at $20,666,686, an increase of roughly $4,000,000 over four years earlier. Of this increase, however, increased depreciation reserves had taken care of $2,674,651, making the net increase only $1,417,289 despite the many millions spent in this period on property improvements. Concessions, rights of way and undeveloped lands in Honduras, which were carried at the end of 1923 at the depreciated value of $644,067, had been written entirely off the books at the end of last year. Steamships had been written down more than $1,000,000 during the four years to $1,682,991.

Indicative of the company's conservative bookkeeping methods was the fact that growing crops, obviously an important item in any farming enterprise but one whose ultimate value is difficult to gauge, were assigned no value on the balance sheet. They were, however, estimated by officials to have a current value as of December 31, 1927, of at least $2,600,000.

Funded debt had increased during the four years by $975,100, but, due to the fact that 6% bonds had replaced an issue carrying 7½ coupons, interest charges on the funded debt had increased only by the nominal sum of about $10,000. Furthermore, as may be seen from the earnings tabulation, total interest charges payable out of 1923 earnings were more than 50% greater than in 1927. This was due to the interest charges on the 1923 bank loans which were no longer bothering the company last year. Capital stock, as has already been mentioned, increased during the period by 50,000 shares to 300,000 shares.

Earning Power Steadied

Strengthened as the financial position of the Cuyamel Fruit Company has been, its greatest strides in the

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Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
Norfolk & Western	4(N)	115.54	160.35	133.40	No	87	4.6
Atchison, Top. & S. Fe	5(N)	37.17	48.83	.....	No	107	4.7
Union Pacific	4(N)	38.41	41.17	.....	No	86	4.7
Southern Railway	5(N)	37.63	39.33	36.17	100	101	4.9
Baltimore & Ohio	4(N)	35.33	48.41	38.44	No	83	4.8
Colorado & Southern 1st	4(N)	43.18	57.04	....	No	82	4.9
Pere Marquette Prior	5(C)	57.50	68.77	64.08	100	101	4.9
Colorado & Southern 2nd	4(N)	39.13	53.04	.....	No	74	5.4
St. Louis Southwestern	5(N)	11.96	12.09	9.30	No	92	5.4
Wabash "A"	5(N)	11.48	11.86	6.87	110	94	5.3
N. Y., Chicago & St. Louis	6(C)	24.91	24.65	20.31	110	110	5.5
Kansas City Southern	4(N)	10.06	10.86	.....	No	75	5.3
Chicago, Rock Is. & Pac. 2nd	6(†)	12.23	20.57	22.49	102	102	5.9
St. Louis, San Francisco	6(N)	102.65	108.19	107.70	100	101	5.9
New York, New Haven & Hart	7(C)	.....	.....	.....	115	115	6.1

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
Columbia Gas & Electric	6(C)	.....	27.81	25.42	110	108	5.6
North American Co.	3(C)	21.91	28.95	31.73	55	54	5.6
Philadelphia Co.	3(C)	23.53	24.20	.....	No	56	5.4
Public Service of New Jersey	8(C)	§19.66	§21.46	§16.28	No	138	5.8
American Water Works & El.	6(C)	.....	.....	.....	110	104	5.8
Federal Light & Traction	6(C)	33.02	41.51	39.67	110	104	5.8
Hudson & Manhattan R. R. Conv.	5(N)	34.12	40.32	.....	No	88	5.7
Standard Gas & Electric	4(C)	14.00	13.43	.....	No	68	5.9
West Penn Electric	7(C)	16.15	20.81	....	115	113	6.2
Engineers Public Service	7(C)	.....	17.44	19.99	110	110	6.4
Electric Power & Light	7(C)	9.72	13.88	.....	110	108	6.5
Continental Gas & Elec. Prior	7(C)	22.26	26.23	.....	110	107	6.5

Industrials

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
International Harvester	7(C)	32.11	36.74	.....	No	145	4.8
American Smelting & Ref.	7(C)	30.38	35.52	30.96	No	140	5.0
International Silver	7(C)	16.08	24.39	.....	No	128	5.5
McCrory Stores	6(C)	45.97	47.82	52.42	110	110	5.5
Associated Dry Goods 1st	6(C)	29.92	27.67	.....	No	111	5.4
Case (J. L.) Thresh. Mach.	7(C)	21.49	29.39	38.43	No	135	5.2
General Motors	7(C)	101.78	167.17	.....	125	127	5.5
Studebaker Corp.	7(C)	208.13	173.89	.....	125	125	5.6
Endicott Johnson	7(C)	44.57	34.77	48.10	125	124	5.5
Brown Shoe	7(C)	45.23	29.69	44.12	120	120	5.8
Bethlehem Steel Corp.	7(C)	26.64	20.84	16.32	No	120	5.8
Baldwin Locomotive	7(C)	0.98	29.42	12.21	125	123	5.6
Mathieson Alkali Works	7(C)	58.60	67.86	74.06	No	119	5.9
Pillsbury Flour Mills	6½(C)	.....	*20.19	*44.90	110	113	5.7
Bush Terminal Buildings	7(C)	‡	‡	‡	120	117	6.0
Deere & Co.	7(C)	13.68	23.22	25.74	No	125	5.6
U. S. Industrial Alcohol	7(C)	33.98	16.27	.....	125	121	5.8
U. S. Cast Iron Pipe	7(C)	45.84	42.08	28.12	No	136	5.2
Radio Corporation	3.5(C)	10.31	13.86	20.02	55	57	6.1
American Cyanamid	6(C)	*20.53	*29.53	*24.24	120	96	6.3
Devoe & Raynolds 1st	7(C)	37.29	49.70	53.23	115	113	6.2
General American Tank Car	7(C)	24.09	27.95	.....	110	110	6.3
Bush Terminal Debentures	7(C)	16.01	16.81	.....	115	112	6.3
Goodrich (B. F.) Co.	7(C)	51.57	13.96	39.19	125	112	6.3
Central Alloy Steel	7(C)	.....	35.11	.....	110	110	6.4
International Paper	7(C)	12.58	11.31	.....	115	107	6.5
Victor Talking Machine	7(C)	nil	38.44	.....	115	111	6.3
U. S. Smelting, Ref. & Mng.	3.5(C)	5.97	6.25	6.28	No	53	6.6
Mid-Continent Petroleum	7(C)	106.48	133.61	.....	120	104	6.7
Consolidated Cigar	7(C)	38.93	67.44	64.41	110	100	7.0
Goodyear Tire & Rubber	7(C)	.....	.....	.....	110	95	7.4

C—Cumulative. N—Non-cumulative. † Cumulative up to 5%. § Earned on all pfd. stocks.
* Years ended June 30. ‡ Guaranteed unconditionally by Bush Terminal Co.

the distribution of the greater part of net earnings as dividends.

The common stock naturally has been depressed a bit by the decline in earnings reported for last year. It recently has been selling out of line with other shares of equal investment grade, and still is priced well below its former high of 90¾ in 1926.

Over a period of years there are few investment issues which have returned such good dividends and good profits to holders. There is no reason to expect that the use of bottles will grow less rapidly in the future, or to think the company will fail to maintain its outstanding leadership. The table shows the course of an investment in the stock during the past few years. In the years prior to 1925 dividends and principal appreciation were equally satisfactory, although there was a letdown right after the adoption of the 18th Amendment.

Owens Bottle common stock is a seasoned issue. At current prices it seems to be one of the most reasonably valued high grade common stock investments.

Owens Bottle Company

100 shares at 1925 high cost	$6,937.00
5% stock dividend in 1926 increased to 105 shares.	
5% stock dividend in 1927 increased to 110¼ shares.	
5% stock dividend in 1928 increased to 115¾ shares.	
115¾ shares now worth (at 83)	$9,607.00
and	
Cash dividends on the investment since Jan. 1, 1926, have totaled	$1,152.00

4—Canada Dry Ginger Ale, Inc.

Swift Progress Translated Into Growing Profits

BY manufacturing a quality product and advertising it in a most effective manner, Canada Dry Ginger Ale, Inc., has developed a highly prosperous and rapidly growing business in an exceedingly competitive field in a surprisingly short time. The product, "Canada Dry," now so widely sold in first class hotels, at clubs, in railroad dining cars, on steamships and at stores which cater to discriminating tastes, has been manufactured in Canada under the present trade name for many years, but prior to 1923 was not distributed in volume in the United States. In five years sales have increased about 1,400%, and the company's net earnings have increased about 2,200%. Growth is pictured statistically in the table.

Like other soft drink concerns, the company's business is more or less seasonal, the greater gross usually being experienced during the second and third quarters of the year; but because of the particular field of the soft drink line in which it specializes, monthly fluctuations in net are reduced. In order to accomplish a better seasonal distribution of sales, there has been some discussion recently regarding the advisability of taking on some additional products. The annual report for 1927 mentions that an option is held at present on the entire capital stock of the Campfire Corporation, which makes the well known Campfire marshmallows and Campfire marshmallow creme. In addition to Canada Dry, the corporation already sells Magi, Adanac and Duncan table waters and Sumoro orange juice, the latter a product with considerable possibilities.

Due to unseasonable weather last summer, earnings and sales did not gain quite as rapidly as in the years just preceding, but the annual report shows that net profits increased 34.4% over 1926 in spite of a gain of only 14.3% in distribution. Advertising expenses are more important than manufacturing costs in determining the margin of profit, which always is much larger than that in most industries. In one respect the business is like the chain store trade; last year the entire inventories were turned over completely every 24 days. At present "Canada Dry" has been introduced only in Canada, along the Eastern seaboard, and in the Middle West. Gradually it probably will find a nation-wide market. If the management follows precedent, the greater part of the expansion will be financed from earnings. This should mean rather remarkable profits for stockholders who are willing to hold their investment patiently, ignoring minor stock market fluctuations which really are of only passing significance.

The big point about Canada Dry Ginger Ale, Inc., is that it has been able to establish a reputation for manufacturing a higher grade ginger ale—a product which sells at a premium over most other grades, but the cost of which is only a very little higher than the cost of the ordinary grades. The ingredients used are of the best quality obtainable, and blending and mixing is carried out with the greatest care. In merchandising, the management has not attempted to indulge in price competition for the sake of obtaining a larger volume; but has depended for volume on the quality of its product and effective advertising.

Last summer an important factor in the market for Canada Dry shares was a rumor that the company might be absorbed by Postum. It is understood that some negotiations were in process at the time, but that no agreement could be reached. Since the collapse of the consolidation plan, the management of Canada Dry has demeaned itself in such a way as to indicate that the company is more likely to become a nucleus around which a merger of food companies may be built than to lose its independent identity through being taken over by some larger corporation.

Canada Dry Ginger Ale, Inc., is free from funded or floating debt and has but 459,903 shares of capital stock of no par value outstanding. Net earnings last year were equal to $5.08 a share. The regular dividend rate on the stock is $3.00 per annum, and from time to time extra distributions in cash or stock are ordered. At current prices (around 64) the stock yields 4.7% without extras and is selling for a little less than 13 times 1927 per share earnings.

It is a good sound specialty stock which may be accumulated for long pull profits whenever obtainable at concessions. The market in it is more or less erratic, but should become more dependable as the issue becomes better seasoned. Inasmuch as the issue has had a substantial advance, a recession in price should be waited for before the investor considers a purchase.

Canada Dry Ginger Ale, Inc.

	Cases Sold	Net Earnings	Earned Per Share
1922	16,345	$48,324	x
1923	103,000	98,248	x
1924	440,000	493,552	$1.15
1925	973,000	1,238,779	2.88
1926	1,360,000	1,736,298	3.85
1927	1,500,000†	2,334,181	5.08

x No figures given because old capitalization would make comparisons of no significance. † Approximate figure.

5—*Borden Co.*

Will Benefit from Recent Acquisitions

Borden's Dividend Record

Dividends were paid in calendar years since organization as follows: On the preferred stock, regular quarterly dividends of 1¼% were paid from 1901 to December 15, 1925, when the preferred stock was entirely redeemed and cancelled.

On the common stock as follows: 1899, 2½%; 1900, 4½%; 1901, 7%; 1902, 6¼%; 1903, 9½% (incl. 1½% extra); 1904-1907, 10% (incl. 2% extra); 1908-1916, 8%; 1917, 8½% (extra ½% Red Cross dividend); 1918-1923, 8%; 1924, 10%; 1925, 8%; 1926, 10% (incl. 2% extra); 1927, 10%; 1928, March 1, 3%.

INCORPORATED in April, 1899, as an outgrowth of a business established in 1857, Borden Co. is a pioneer in the condensed milk manufacturing field, its subsequent expansion having been practically continuous. Many lines of evaporated, malted and dried milk products have been developed, and an important division of its business is the distribution of fluid milk, cream, butter, eggs and dairy products in New York City, and suburban territory, Chicago and environs, and in Ottawa and Montreal.

More recently, through the acquisition of the Reid Ice Cream Corp. and of J. M. Horton Ice Cream Co., Inc., operations have been extended to include the manufacture and distribution of ice cream, and through Merrell-Soule Co. (now Syracuse Food Products Co.), also recently acquired, the company manufactures dried milk products sold under the trade names "Klim," "Breadlac," "Pariac" and "Merrell-Soule," and also manufactures "None Such Mince Meat."

The importance of these acquisitions is manifold. In the first instance, Borden, heretofore, enjoyed its greatest activity during the winter months and had a surplus of supplies during the warmer months, whereas the ice cream companies recently bought usually are most active during the months of June, July, August and September, and have a surplus of supplies during the winter months. The winter surplus of the ice cream companies can be utilized to advantage in operations of Borden as formerly constituted and, likewise, the summer surplus of the latter can be used beneficially in the ice cream business, so that future income of the consolidated company should be augmented. Further, expected savings to be effected by centralized management and purchasing power should be an additional contribution to enhanced returns.

Giving effect to new capital stock issued in connection with acquisitions referred to above, and 78,104 additional shares currently offered to existing shareholders at $105 a share, in the ratio of one new share for each twelve held, capitalization consists solely of 1,015,352 shares of $50 par capital stock. Following the post-war deflationary years, profits have shown consistent yearly expansion through 1927, earnings in the latter year being equal to $10.32 a share on 693,414 shares against $10.86 a share on 630,896 shares in 1926. The foregoing does not take into account, of course, the increased capitalization of the larger company, or the benefits to be derived from recent acquisitions.

Latest balance sheet discloses an impregnable financial position. On December 31, 1927, current assets, including approximately 21 millions cash and its equivalent, amounted to 35.4 millions, against current liabilities of about 10.7 millions, leaving 24.7 millions net working capital. Directors have pursued a liberal dividend policy when conditions have warranted, payments at varying rates having been made continuously since organization. Disbursements are now being made at the rate of $6 a share annually. At recent quotations of around $165, the shares yield an annual return of about 3.64%. *The stock is a sound investment and should prove a satisfactory holding, especially if it could be secured on a sizeable reaction.*

6—*Munsingwear, Inc.*

Displays Exceptional Stability in Erratic Textile Field

Munsingwear, Inc.

	1924	1925	1926	1927
Sales (millions)	$13.4	$15.8	$18.0	$17.4
Net Income (millions)	0.4	0.8	1.3	1.2
Net Working Capital (millions)	6.3	6.8	8.3	9.2

STIMULATION of warm weather on sales, while particularly applicable to the dairy, soft drink, and related industries, is likewise found in certain lines of the textile industry. Textile conditions have been so chaotic that the principal difficulty in taking advantage of such seasonal characteristics is in selecting a company with sufficient stability to render its stock worthy of confidence. Munsingwear, Inc., derives by far the greater part of its earnings in the second half of its fiscal year, ending November 30. It is a holding company, owning practically the entire common stocks of Munsingwear Corporation and Wayne Knitting Mills, engaged in the manufacture respectively of underwear and hosiery. The holding company was organized in 1923 in order to bring under a single control the businesses of the two aforesaid subsidiaries. Dividends at the rate of $3 annually have been paid continuously since that year, a rate which, at the current market for the stock around 50, is equivalent to a return of 6%.

The capitalization of the company is noteworthy for its simplicity, there being only a single issue of common capital stock amounting to 200,000 shares of no par value, preceded by no prior capital obligations whatever, as far as the company itself is concerned, although there is still outstanding about 3 million dollars of subsidiary preferred stock. Earnings in the last fiscal year ended November 30, 1927, were equivalent to $5.95 per share, as against $6.64, $4.24 and $2.00 in the three preceding years, the last, which occurred in 1924, being decidedly subnormal and due to especially unfavorable conditions prevailing generally in the trade at that time. In spite of the moderate falling off in income last year, the financial position was materially improved, inventories declining 2 millions, cash gaining one-half million to a figure within striking distance of 1 million dollars, and bank loans dropping from nearly 3 millions to only $300,000. Total current assets of 10 millions alone were equal to the present market value of the entire capital stock.

Munsingwear Corporation and Wayne Knitting Mills, the two operating subsidiaries, date back to 1887 and 1891 respectively. Prior to the combination in 1923, and with the exception of 1921 and 1922 in the case of Munsingwear Corporation, both companies paid dividends on their common stocks regularly over approximately a twenty-year period, occasionally in stock but for the most part in cash. The success of the organization as now constituted, during a period when the textile trade as a whole has had rather hard sledding, may be attributed in part to an ability to adapt itself readily to changes in demand, and, in accordance with this policy, the former standard lines of cotton and woolen underwear have given way to a considerable extent to silk and rayon products. The company in anticipating this situation more than maintained its sales standard during the transition period. *Progressive management, earnings well in excess of dividend requirements, and the great improvement in the financial status of the company, would appear to entitle the shares to a higher market valuation in relation to earning power than has been the case thus far.*

American Agricultural Chemical

Prospects Brighten for Leading Fertilizer Producer

Enhanced Purchasing Power of Southern Cotton Grower Offers Hope for Recovery from Long Depression

By WARREN BEECHER

THE manufacture and sale of fertilizer unquestionably falls into that group termed essential industries. Certainly no industry is more fundamental than that concerned with supplying the necessary plant food for crops. At the same time, the fortunes of the business, from its very nature, are necessarily closely linked with those of the farmer. It will be noted that for several years back, net earnings for all of the leading companies bear close relationship to the level of farm commodity prices. Falling values of farm products, with the consequent lessening in the purchasing power of agricultural sections in one season are almost invariably reflected in constricted profits of the fertilizer producers in the next.

When the demands of Europe for American agricultural products of all kinds was at its height, and farm prices were at record levels, during the war period, and the years immediately succeeding, the fertilizer companies enjoyed the highest prosperity in their history. American Agricultural reported net income in excess of 8 million dollars in 1918 and both its common and preferred stock sold above par in this and the following year. Then came the commodity crash in late 1920 and '21 which signalized heavy losses for nearly all of the fertilizer companies. Not only were they faced with demoralized markets and impoverished patronage, but were caught with overextended credit and excessive inventories. The adjustment of this inventory item in accordance with new low level of raw and finished material values alone necessitated a write-off for American Agricultural of more than five million dollars in 1922.

Slow Recovery Marks Industry Recovery from this depression has proved a long and arduous way. Of course, some years have been better than others; but on the whole the principal companies have not been successful in establishing consistent earning records. Between 1923 and 1926 American Agricultural was able to show some semblance of earning power, averaging $3.24 on the 6% preferred stock for this period, and reaching as high as $7.19 in the year 1925. The succeeding year, however, saw this latter figure cut precisely in half as a result of the excessive production of nearly all crops and the lowering in the value of farm products in consonance with the downward trend of commodity prices in general; whereas, last year was undoubtedly the poorest that the company, in common with the rest of the industry, has experienced since the deflation of 1922. The bumper cotton crop of 1926, aided by the large carry-over from the previous season depressed the value of the raw staple to levels which left many cotton growers unable to meet even the most moderate fertilizer requirements. In addition, very large inventories were held by most of the companies. In the scramble to liquidate these stocks, competitive conditions became so keen that price schedules were practically abandoned and a veritable orgy of price-cutting ensued.

Handicaps of Last Season These two circumstances — lower demand from the South and the price warfare—bore heavily on American Agricultural Chemical. In the first place, the company is dependent for nearly 90% of its total business on sales in the cotton growing states, and so received the full onus of restricted buying in this area; and secondly, in order to avoid the sacrifice of a large part of its established trade, it was obliged to meet the unfavorable prices imposed by competitive conditions. As might be expected, profits suffered severely and the surplus of slightly over a million dollars for 1926 gave way to a deficit of $1,924,135 for the fiscal year ending June 30, 1927.

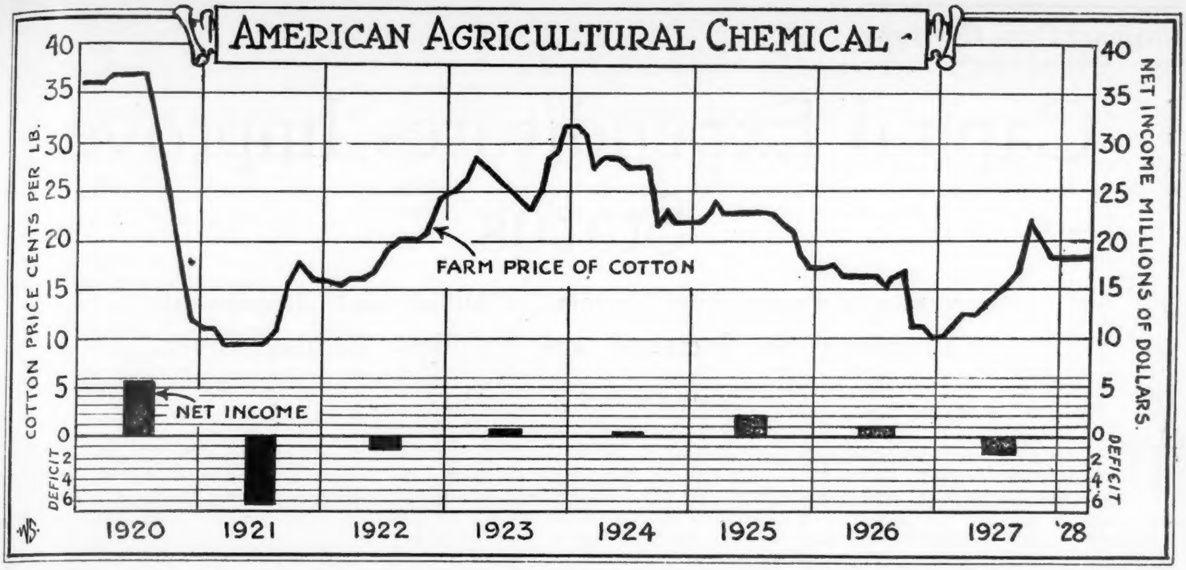
Despite the handicap of unfavorable trade conditions and reduced earnings during 1927 and the preceding years, however, the company has enjoyed the distinction of being the only one of the leading companies in the industry to escape reorganization. Moreover, not only has it been able to keep out of the bankers' hands but has persistently pursued a policy of steadily strengthening its financial position through a reduction of its bonded indebtedness. During the past five years the funded debt has been brought down from more than 36 million dollars in 1922 to 12.8 million, the latest reduction being effected by the calling of six million dollars of the first refunding 7½s on February first of the current year, and the acquisition of $900,000 bonds required to meet sinking fund obligations.

Recent redemptions have been facilitated through the sale, on March first, of the Charlotte Harbor and Northern Railroad to the Seaboard Airline for five million dollars; the balance of cash being taken from the treasury, which at the close of the last fiscal period showed a cash position of 6.75 million dollars.

Total bonds now outstanding represent at present only slightly more than 17% of total capitalization; which also comprises 28.45 million 6% cumulative preferred stock and 33.32 million in common, both of $100 par value.

In pursuance of a policy of paying dividends only when earned, an unbroken dividend record stretching back for many years was broken with the suspension of both common and preferred dividends in 1921. Even in 1925, when the preferred dividend at least was covered, the company saw fit to continue its program of turning earnings toward further strengthening of its financial and trade position. As a result, cumulative unpaid dividends on the preferred stock totalled 37½% at the close of the year.

A Difficult Problem The payment of this item, particularly in view of the fact that the last balance sheet available, reveals a profit and loss deficit of 18.76 million dollars, presents one of the most difficult problems facing the company. Moreover, it is unlikely that the revamping of these items can receive serious consideration before sustained earning power has once more been re-established. Given a few years of not unfavorable agricultural conditions, a favorable demonstration of earning capacity should not prove difficult of realization in view of the company's sound position in the trade, its well distributed and modern plants, partially controlled raw material supply, conservative policy in credit extension and efficient management.



Extensive Production Facilities

American Agricultural operates twenty-eight manufacturing plants strategically located both as to raw material supply and the markets served. Fourteen of these production centers are located in the Southern states, one in Cuba to supply fertilizer requirements of the sugar producers and the remaining thirteen in New England, New York, New Jersey, Ohio, Michigan and Illinois. Aside from such by-products as lime, glue and soap, the company's principal product is "mixed goods" fertilizer, comprising various proportions of phosphate, potash and nitrates. For the supply of the first named constituent the company is amply provided with extensive holdings of phosphate rock deposits containing reserves for many years' operations. Mining plants are operated in Florida, North Carolina, Tennessee and Vermont. Plants, mines, and other physical equipment appear on the books at a conservative valuation of 32.59 million dollars, even after liberal charge-offs in recent years.

A New Competitive Factor?

The manufacture of synthetic nitrates has recently received much prominence, particularly since the proposal to put the nitrate plants of Muscle Shoals into operation and the plans of the Allied Chemical and Dye Corporation to locate a large plant at Hopewell, Virginia, to manufacture nitrates from the air. The question naturally arises as how the resulting production of these operations, in addition to present abundant sources of nitrogen of mineral, animal and vegetable origin will affect existing fertilizer companies. Undoubtedly, the first effect of a greatly increased nitrate supply will be to lower the price of all nitrogen-bearing substances available for fertilizers, and may to some extent foster the sale of the products in competition with mixed goods. However, it must be borne in mind that nitrates cannot be considered in any sense a balanced fertilizer, since they provide only one of the elements essential to plant growth. Hence unless the nitrogen fixation companies elect to enter the mixed goods, or balanced fertilizer, manufacture it is not likely that their competitive influence, insofar as trade with the consumer is concerned, will be very marked. On the contrary, a lower price of a major constituent of complete fertilizer may conceivably react to the advantage of such companies as American Agricultural.

In addition to its physical equipment and favorable trade position American Agricultural entered the 1927-28 season with inventories under conservative control. The total value of all inventories as of last June was no more than 7.6 million dollars as compared with 9.9 million the year before and 18.3 million in 1921. Excess of current assets over current liabilities in the ratio of fourteen to one is a continuance of the strong working capital position which has characterized the company for many years back.

Present Outlook Favorable

From all of which it may be gathered that the company is favorably situated to make the most of an improving fertilizer prospect. While sales in Cuba give little evidence of substantial improvement, in the face of continued governmental restriction on the sugar crop, the domestic situation is distinctly more promising. The 1927 cotton crop, in common with nearly all other farm products, represented a marked improvement in the net return to the grower. As a matter of fact, nearly all sections of the country entered 1928 in more prosperous condition than in several years. Purchasing power of the farmers is notably enhanced, which implies that the fertilizer requirements of the soil, which have of necessity been skimped during the past few years, may now be replenished. Data on the volume of sales so far this year, except for the month of January, which recorded a gain of 14½% over the same month last year, are not available, but their totals for the spring season are confidently expected to reflect the more favorable economic status of agricultural sections. Furthermore, a closer alignment between fertilizer production and actual demand, not only in American Agricultural but in other leading companies, should do much to stabilize the price situation and alleviate the excessively competitive conditions so ruinous last season.

Preferred Stock Prospects

In view of these developments the preferred stock of American Agricultural, which is listed on the New York Stock Exchange is entitled to careful consideration. It is true that resumption of dividend payments in the near future is unlikely. It must also be conceded that the adjustment of the dividends in arrears, as already stated, is predicated on the re-establishment of former earning power, and hence is not likely of early realization. Yet the adjustment must eventually be made, and it hence is a factor not to be lightly discarded by the long range investor. The more immediate attraction in American Agricultural, however, is not based on the dividend prospect but rather on the fact that the company occupies a dominant position in an industry now giving evidence of recovering from depression, and thus holds at least the potentialities of appreciation of market price. Rising from a low of 32 late last spring to the current level of 65, the preferred stock may of course be said to have discounted at least a portion of the favorable factors just recounted. *There still exists, however, reasonable grounds for anticipating further enhancement in value during coming months, with still better prospects if the crop situation in 1928 is as financially favorable to the grower as last year.*

Cuyamel Fruit Company

Capital Expenditures Improve Status

Diversion of Profits from Payment of Dividends to Investment in Properties Has Increased and Stabilized Earning Power

By NEWTON R. CALLEY

THE policy of pouring earnings back into the property has vastly improved the physical and financial position of the Cuyamel Fruit Company. Many millions have been expended in irrigating its banana lands in order to combat the droughts from which the company's crops have suffered in the past, and thus its earning power has been to some extent stabilized. Expenditures for extending the company's sugar plantations have opened up new sources of revenue. Furthermore, its financial structure has been so firmly buttressed that the company as a whole presents a very different picture from what it did four years ago.

Organized in 1923

The present Cuyamel Fruit Company was introduced to the public early in 1913 when 55,000 shares of stock were offered for subscription at $53.50 a share. It succeeded at that time an earlier company of the same name through a formal reorganization involving the consolidation of a number of subsidiaries and a revamping of the financial structure. Capitalization consisted of 250,000 shares of stock, including the above mentioned 55,000 shares, and a funded debt of approximately $3,700,000. The company owned extensive lands in Honduras and Nicaragua under cultivation for bananas and a fleet of eleven steamships used for the transportation of its products to the United States as well as for the carrying of passengers and a general cargo. Cuyamel Fruit Company is considered the second largest organization in the industry.

Operating conditions were favorable in the company's first year, and its stock was placed on a $4 annual dividend basis. As may be seen from the accompanying tabulation of earnings, Cuyamel Fruit Company's profits in 1923 have not since been equalled. Droughts seriously interfered with crops in 1924, 1925 and 1926, and for a time the price of bananas dropped to unsatisfactory levels. The climax to the company's difficulties came in the latter part of 1926 when crops were disastrously affected by a visitation of the "eleventh year locust." As a result of these conditions the quarterly dividend of $1, maintained regularly since its inauguration, was omitted early last year. Since that time all earnings have been turned back into the company, serving to carry out a policy of protecting the property against the handicaps under which it had suffered in the past.

Throughout the period of the company's difficulties its earnings, while far from satisfactory, held up comparatively well considering the unfortunate operating conditions. Dividends were not earned, it is true, but heavy chargeoffs were made: the $5,482,861 amortization and depreciation charges of the past five years are equivalent to more than $18 a share on the present 300,000 outstanding shares. Furthermore, the company was making a start on its extensive improvement program. Droughts were being gradually combatted by extending irrigation systems throughout its banana lands which aimed at placing the crops ultimately in a position as independent as was physically possible from the vagaries of the tropical weather. Early in 1925 additional funds were obtained from the sale of 50,000 shares of stock at $48.50 a share, bringing company's capital up to 300,000 shares at which figure it remains today. These funds also were used for furthering the company's program. An additional stimulus to the development plans was derived when dividends on the stock were omitted and such funds were made available for speeding up the project.

Extensive Progress Made

The financial position has been strengthened greatly. How vastly improved it was at the end of last year as compared with December 31, 1923, can be best shown by a comparison of some of the important balance sheet

Cuyamel Fruit Company

	Earnings from all Sources	Amortization & Depreciation	Interest Charges	Allowance for Fed. Tax	Net Earnings for Stock
1923	$4,274,160	$1,156,021	$497,628	$236,204	$2,384,307
1924	2,437,650	1,197,340	523,963	8,296	708,051
1925	2,583,738	1,102,906	421,613	....	1,059,219
1926	1,984,146	989,329	327,302	55,345	612,170
1927	3,314,975	1,037,265	318,660	89,760	1,869,290

Earnings on Stock by Quarters for Past Three Years

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter*
1925	$270,505	$537,421	$72,486	$178,807
1926	310,315	703,380	15,843	(d)417,368
1927	(d)173,331	870,246	770,527	401,848

(d) Deficit. * Estimated on basis of first nine months.

	PRODUCTION	
	Bananas (Stems)	Sugar (lbs.)
1923	6,805,017	16,580,591
1924	6,776,440	30,532,950
1925	8,282,893	35,207,100
1926	6,994,163	38,901,525
1927	8,973,945	40,407,960

items as of those dates. The comparison becomes all the more striking when consideration is taken of the fact that in 1923 the company's stock was on a $4 dividend basis and selling around $70 a share whereas at present no dividend is being paid and the stock is some 20 points lower.

Present Financial Position

At the end of last year cash and certificates of deposit were $1,795,-048. This was sufficient to take care three times over of all current liabilities of $667,683, and was in sharp contrast to the company's position at the end of 1923. Cash then totaled only $577,126, against current liabilities of $3,064,783, and of this latter item $1,929,841 represented bank loans. In the four-year interval bank loans had been entirely paid off and a substantial cash backlog built up.

Fixed assets had been written down substantially during the four years. Lands under cultivation, including the value added to such lands by irrigation systems and the erection of various necessary equipment, were carried at the end of last year at $20,666,686, an increase of roughly $4,000,000 over four years earlier. Of this increase, however, increased depreciation reserves had taken care of $2,674,651, making the net increase only $1,417,289 despite the many millions spent in this period on property improvements. Concessions, rights of way and undeveloped lands in Honduras, which were carried at the end of 1923 at the depreciated value of $644,067, had been written entirely off the books at the end of last year. Steamships had been written down more than $1,000,000 during the four years to $1,682,991.

Indicative of the company's conservative bookkeeping methods was the fact that growing crops, obviously an important item in any farming enterprise but one whose ultimate value is difficult to gauge, were assigned no value on the balance sheet. They were, however, estimated by officials to have a current value as of December 31, 1927, of at least $2,600,000.

Funded debt had increased during the four years by $975,100, but, due to the fact that 6% bonds had replaced an issue carrying 7½ coupons, interest charges on the funded debt had increased only by the nominal sum of about $10,000. Furthermore, as may be seen from the earnings tabulation, total interest charges payable out of 1923 earnings were more than 50% greater than in 1927. This was due to the interest charges on the 1923 bank loans which were no longer bothering the company last year. Capital stock, as has already been mentioned, increased during the period by 50,000 shares to 300,000 shares.

Earning Power Steadied

Strengthened as the financial position of the Cuyamel Fruit Company has been, its greatest strides in the

Please turn to page 1081)

Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
Norfolk & Western	4(N)	115.54	160.35	133.40	No	87	4.6
Atchison, Top. & S. Fe	5(N)	37.17	48.83	.....	No	107	4.7
Union Pacific	4(N)	38.41	41.17	.....	No	86	4.7
Southern Railway	5(N)	37.63	39.33	36.17	100	101	4.9
Baltimore & Ohio	4(N)	35.33	48.41	38.44	No	83	4.8
Colorado & Southern 1st	4(N)	43.18	57.04	....	No	82	4.9
Pere Marquette Prior	5(C)	57.50	68.77	64.08	100	101	4.9
Colorado & Southern 2nd	4(N)	39.13	53.04	.....	No	74	5.4
St. Louis Southwestern	5(N)	11.96	12.09	9.30	No	92	5.4
Wabash "A"	5(N)	11.48	11.86	6.87	110	94	5.3
N. Y., Chicago & St. Louis	6(C)	24.91	24.65	20.31	110	110	5.5
Kansas City Southern	4(N)	10.06	10.86	.....	No	75	5.3
Chicago, Rock Is. & Pac. 2nd	6(†)	12.23	20.57	22.49	102	102	5.9
St. Louis, San Francisco	6(N)	102.65	108.19	107.70	100	101	5.9
New York, New Haven & Hart.	7(C)	.....	.....	.....	115	115	6.1

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
Columbia Gas & Electric	6(C)	.....	27.81	25.42	110	108	5.6
North American Co.	3(C)	21.91	28.95	31.73	55	54	5.6
Philadelphia Co.	3(C)	23.53	24.20	.....	No	56	5.4
Public Service of New Jersey	8(C)	§19.66	§21.46	§16.28	No	138	5.8
American Water Works & El.	6(C)	.....	.....	.....	110	104	5.8
Federal Light & Traction	6(C)	33.02	41.51	39.67	110	104	5.8
Hudson & Manhattan R. R. Conv.	5(N)	34.12	40.32	.....	No	88	5.7
Standard Gas & Electric	4(C)	14.00	13.43	.....	No	68	5.9
West Penn Electric	7(C)	16.15	20.81	....	115	113	6.2
Engineers Public Service	7(C)	.....	17.44	19.99	110	110	6.4
Electric Power & Light	7(C)	9.72	13.88	.....	110	108	6.5
Continental Gas & Elec. Prior	7(C)	22.26	26.23	.....	110	107	6.5

Industrials

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable at	Recent Price	Yield %
International Harvester	7(C)	32.11	36.74	.....	No	145	4.8
American Smelting & Ref.	7(C)	30.38	35.52	30.96	No	140	5.0
International Silver	7(C)	16.08	24.39	.....	No	128	5.5
McCrory Stores	6(C)	45.97	47.82	52.42	110	110	5.5
Associated Dry Goods 1st	6(C)	29.92	27.67	.....	No	111	5.4
Case (J. L.) Thresh. Mach.	7(C)	21.49	29.39	38.43	No	135	5.2
General Motors	7(C)	101.78	167.17	.....	125	127	5.5
Studebaker Corp.	7(C)	208.13	173.89	.....	125	125	5.6
Endicott Johnson	7(C)	44.57	34.77	48.10	125	124	5.5
Brown Shoe	7(C)	45.23	29.69	44.12	120	120	5.8
Bethlehem Steel Corp.	7(C)	26.64	20.84	16.32	No	120	5.8
Baldwin Locomotive	7(C)	0.98	29.42	12.21	125	123	5.6
Mathieson Alkali Works	7(C)	58.60	67.86	74.06	No	119	5.9
Pillsbury Flour Mills	6½(C)	.....	*20.19	*44.90	110	113	5.7
Bush Terminal Buildings	7(C)	‡	‡	‡	120	117	6.0
Deere & Co.	7(C)	13.68	23.22	25.74	No	125	5.6
U. S. Industrial Alcohol	7(C)	33.98	16.27	.....	125	121	5.8
U. S. Cast Iron Pipe	7(C)	45.84	42.08	28.12	No	136	5.2
Radio Corporation	3.5(C)	10.31	13.86	20.02	55	57	6.1
American Cyanamid	6(C)	*20.53	*29.53	*24.24	120	96	6.3
Devoe & Raynolds 1st	7(C)	37.29	49.70	53.23	115	113	6.2
General American Tank Car	7(C)	24.09	27.95	.....	110	110	6.3
Bush Terminal Debentures	7(C)	16.01	16.81	.....	115	112	6.3
Goodrich (B. F.) Co.	7(C)	51.57	13.96	39.19	125	112	6.3
Central Alloy Steel	7(C)	.....	35.11	.....	110	110	6.4
International Paper	7(C)	12.58	11.31	.....	115	107	6.5
Victor Talking Machine	7(C)	nil	38.44	.....	115	111	6.3
U. S. Smelting, Ref. & Mng.	3.5(C)	5.97	6.25	6.28	No	53	6.6
Mid-Continent Petroleum	7(C)	106.48	133.61	.....	120	104	6.7
Consolidated Cigar	7(C)	38.93	67.44	64.41	110	100	7.0
Goodyear Tire & Rubber	7(C)	.....	.....	.....	110	95	7.4

C—Cumulative. N—Non-cumulative. † Cumulative up to 5%. § Earned on all pfd. stock. * Years ended June 30. ‡ Guaranteed unconditionally by Bush Terminal Co.

Panhandle Prod. & Ref. *Mexican Seaboard* *Transcontinental Oil*

Three Low-Priced Oils With Improving Prospects

Recent Discovery of Production

By N. O. FANNING

Record of Three Low Priced Oils Since Discovery of Wells

	No. Shares Outstanding	Rise in Market Value	Percentage of Rise
Panhandle P. & R. com...	198,770	$5,664,945	814%
Transcontinental com.	3,742,029	22,452,174	137
Mexican Seaboard	945,939	3,901,998	91

ALMOST forgotten or rank wildcat oil acreage sometimes proves the petroleum equivalent of a gold mine to the petroleum companies, and also at times to the trader in oil stocks always on the alert for a lucky "strike." Since the middle of 1925, three of the low-priced oil stocks listed on the New York Stock Exchange have experienced the stimulus of fortunate oil or gas discoveries. They are Panhandle Producing & Refining Co., Transcontinental Oil Co. and Mexican Seaboard Oil Co., the last named being the most recent.

Panhandle Producing & Refining Co.

ON July 6, 1925, the Panhandle Producing & Refining Co. drilled in a well producing initially 336 barrels of oil a day from 3,060 feet, on a block of acreage in Hutchinson County, Texas Panhandle. On that date the district was credited with having oil possibilities, but it was still condemned by some geologists as not containing a real oil field. The Panhandle well, No. 1 Perkins, stimulated development, but it was not until a year later that the Panhandle district became a mecca for wildcatters and a real, live oil field.

Meanwhile, some shrewd traders had sensed the possibilities in that well of the Panhandle Producing & Refining Co. and had begun to accumulate the stock "in case" something big should later develop. Still, the common stock, which averaged $3.50 a share during the month in which the well came in, showed no real advance until December, or six months afterward, when it rose to a high for the year of $6.25 a share.

Real oil fever developed in the Panhandle in the spring of 1926, operators flocked to the district from all other sections, and wells began to go down by the hundreds. By this time Panhandle Producing & Refining Co., a pioneer in the district, had carried on intensive development on its acreage and had sold a 50% interest therein to the Gulf Oil Corp. By the close of 1926 daily average production on the lease had approached the 10,000-barrel mark.

But the stock market had not waited for that. From the beginning of 1926 to June, Panhandle Producing & Refining common experienced a sensational advance from a low of $4.50 a share in January to $32 a share in June. The gain in monthly average prices of the stock is shown in the accompanying chart.

The acreage which Panhandle Producing & Refining Co. held in Hutchinson County had been acquired several years before the bringing in of the Perkins No. 1 well, at a time when the district was hardly thought of as a potential oil producing area, and land could be had for almost nothing. Leases obtainable for $1 or $2 bonus and an annual rental of 25 to 50 cents an acre, became worth several thousand dollars an acre on the establishment of a real oil field several years later.

Up to the time of the development of the Panhandle field in 1925 and 1926, the Panhandle Producing & Refining Co.'s chief crude oil production had come from the north central Texas fields in Archer, Eastland, Stephens and Wichita Counties, and had averaged over a period of months between 2,500 and 5,000 barrels a day. In December, 1926, production from the company's Panhandle properties had increased to approximately 10,000 barrels a day, of which the company's share was approximately 50%. Profits from this production were adversely affected by the later drop in the price of Panhandle crude oil from over $1 a barrel at the well to 60 cents a barrel, at which price it is now quoted. *However, the Panhandle development, and subsequent developments in some of the older oil fields in which the company has been operating, have, in the opinion of good judges, justified a materially higher level for the common and preferred stocks.* There are outstanding at present only 198,770 shares of common stock of no par value. and about 25,000 shares of preferred of $100 par value. The preferred is an 8% cumulative issue, but no dividends have been paid since 1923, there now being a total of over $32 a share in arrears.

Transcontinental Oil

TRANSCONTINENTAL Oil Co. was a pioneer in West Texas just as Panhandle Producing & Refining was in the Texas Panhandle. A number of years ago the Transcontinental company acquired a number of leases in various parts of West Texas. Later a 50% interest in some of these was sold to the Mid-Kansas Oil & Gas Co., a subsidiary of the Ohio Oil Co., including a block of several thousand acres in Pecos County.

On December 7, 1926, a pure wildcat drilled on the Pecos County tract came in for 109 barrels a day from a depth of 1,005 feet. This output increased to over 300 barrels a day on later tests,

and the well became the first important commercial producer ever drilled west of the Pecos River in Texas. This well was No. 1 Yates, being drilled on one of the Yates ranches, from which the present field gets its name.

The Yates pool now has a rated potential production of over 250,000 barrels a day, conservatively estimated, and the shallow depth of the producing horizon makes it a remarkable pool because of the small cost of drilling wells, most of them being drilled with portable rigs.

Transcontinental oil stock in December, 1926, when the first Yates well was completed, averaged 4⅝ a share. This well ultimately increased its flow to several thousand barrels daily, and subsequent wells brought in by the company on the same lease proved all to be gushers. While the potential output of the company in this field is high, shortage of transportation facilities and pro-ration has kept output of the Yates pool below its maximum potential figure, according to the opinion of petroleum engineers. Nevertheless, the company's common and preferred stocks have reflected the Yates pool development, the common advancing to a maximum average of 9⅝ a share for the month of December, 1927, and a peak of 10⅜ during that month, exactly one year after the bringing in of the initial Yates well. The company's capitalization consists of 3,742,029 shares of no par value common stock, and 157,500 shares of preferred of $100 par value. *The stock, of course, is purely speculative but possesses latent possibilities.*

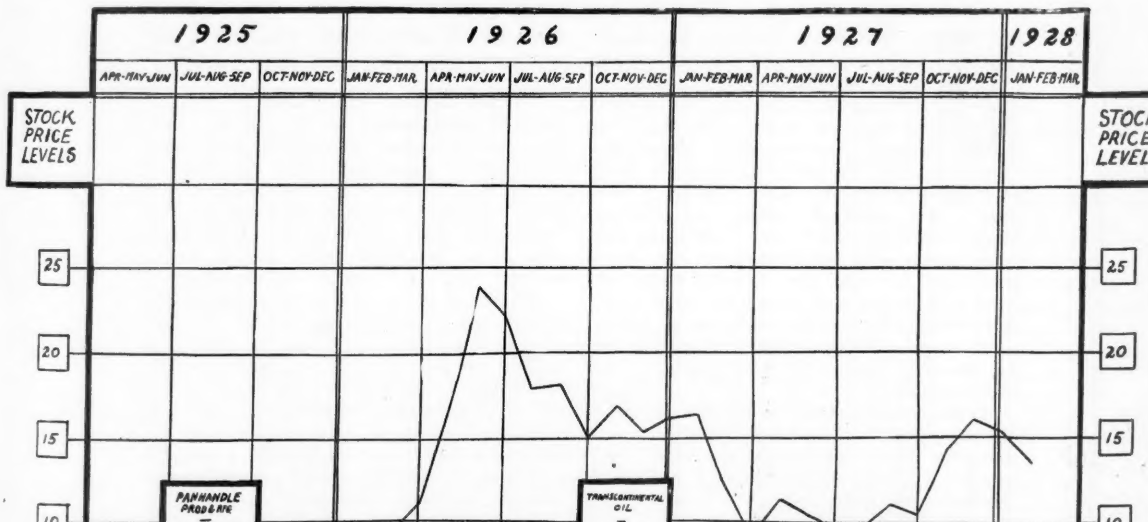
FROM present indications, fundamental improvement in the oil industry has not yet occurred though here and there may be discerned faint signs of a change. If these evidences multiply, undoubtedly better things will be in store for this group of securities. Readers may be sure that we are in close touch with developments and will publish promptly any new information of value. In the meantime, holders of the sounder oil securities should be counseled against parting with them at the lower prices.

Mexican Seaboard Oil

THE case of Mexican Seaboard Oil Co. differs materially from that of Panhandle Producing & Refining Co. or Transcontinental Oil in several respects. In the first place, the property discovered by Milham Exploration Co., Mexican Seaboard's subsidiary, in California, is in a much earlier stage of development, having been discovered on August 4, 1927, or not much more than six months ago. The property yields "dry" gas, instead of oil (although the company still hopes to find oil in the district). Milham's first gas well, No. 1-A Kern, came in in the Buttonwillow district, and two additional wells have been brought in since. The first well produced 12,000,000 cubic feet of gas a day, initially. The three wells so far brought in are estimated to have an aggregated daily capacity of between 40,000,000 cubic feet and 50,000,000 cubic feet. The Buttonwillow district is the first commercial dry gas district in California. The commercial value of this gas lies in the probability of its being piped to San Francisco and other California cities not now supplied with natural gas.

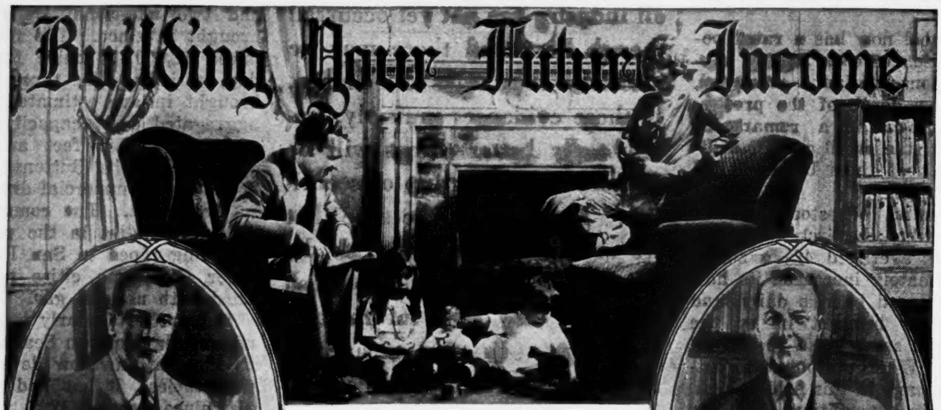
It may be too early to attribute the advance in Mexican Seaboard Oil stock to the Buttonwillow development, but nevertheless, it has had a substantial rise since August, 1927, when the first Buttonwillow well came in. During that month the stock averaged approximately 4½ a share. In February, 1928, it averaged 6⅞ and reached a peak price of 8⅝. The company's capital consists only of 945,939 shares of stock of no par value.

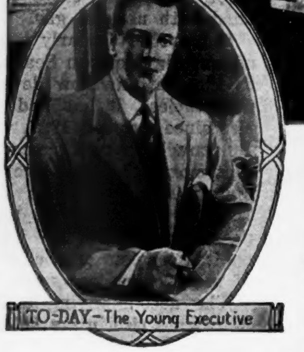
The accompanying table shows the aggregate rise in market value of common or capital stock of the Panhandle, Transcontinental and Mexican Seaboard companies from the month the discovery wells referred to were brought in, to the peak market price reached since. *This stock is highly speculative, but evidently its new production may have a further stimulating effect on the shares.*



MONTHLY AVERAGE MARKET QUOTATIONS
PANHANDLE PRODUCING & REFINING, TRANSCONTINENTAL OIL, MEXICAN SEABOARD OIL

EDITORIAL PAGE




TO-DAY—The Young Executive


TO-MORROW—The Business Leader

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

Plodding Along Financially

OUT of every hundred financially successful men, there are always a few who have attained their success through some brilliant stroke of financial genius, but it is the large majority that "have arrived" by working doggedly from a modest beginning. These have accumulated their earliest savings by making many sacrifices; they have built their fortunes along slow but sure lines; they have cast aside the idea that financial independence is a "game" but recognize instead that the accumulation of wealth is a rather grim matter involving much determination of character and sacrifice of pleasures and extravagances.

Perhaps at one time or another, we have all imagined, that we belonged to the small minority that can attain financial independence through the blessings of good fortune. Sooner or later, we may have argued with ourselves, an unusual turn of good luck will come our way. Then we will muster our resources; exhibit our courage; attempt a brilliant financial *coup;* and, amid the plaudits of the grim financial plodders, carry off the honors to which our genius entitles us. And in the meantime, it certainly seems a bit silly to join the mass of plodders, while basking in the warm sunshine of such optimistic expectations.

We are further encouraged by the reports of spectacular fortunes that are made by others who have decided to make their way toward fame by leaps and bounds, rather than to plod ever on at the slow sure pace. Another argument in favor of brilliancy, we say. If others can lasso their wealth on horseback, why should we be content with anything less spectacular?

Of course, if we could be certain of the golden opportunity in the offing; if even we could be sure of possessing that rare quality of genius, then we might forsake the arduous path of slow, consistent saving with some assurance of ultimately arriving. But there must be some reason why the great majority of financially successful men are the patient savers of small sums and the cautious investors. Apparently—and one might add fortunately—this rare quality of genius is not very generally relied upon for success.

Our skill in placing investment funds may ultimately raise us above the necessity for continuous savings. But, in the meantime, we must provide some material for the most effective display of our talents.

"Intelligent Use of Present Income Will Assure Financial Independence."

The Building and Loan Plan as First Aid for the Home-Maker

How Two Young People Started Out in Life in a Five-Room Bungalow

By J. LLOYD McMASTER

As it is necessary for a young man who has found "The Girl" to then "Feather a Nest," it was about 10 years ago that I began to look about me for this purpose. Before long, I discovered a nice little five-room bungalow that could be purchased with a small amount down and a monthly payment to the Building and Loan Association of $27. I decided that this was to be home for me and the next question was where to get the $294 which constituted the down payment. I took the matter up with "The Girl," who was to be the home-maker of the place, and between us we raised the money.

Next, by a loan from a good friend who had faith in us, we furnished a kitchen, dining room, living room and one bedroom, and a month after the purchase we were married in our own little home. Being a young lawyer just out of college with clients few and far between, and being less acquainted with fees and retainers than clients, I faced the momentous problem of providing a living for two (who can live as cheap as one?) and on top of it all met the $27 payment to the Building and Loan, which came due as regularly as a new sheet came off the calendar.

I "dug in" and threw my full weight into the harness and "The Girl," who was now the home-maker, did her full share and more by keeping expenses down in a thousand ways. We literally proved the old adage that "Hunger makes the pig squeal and the poet sing." We did not actually go hungry, nor did we miss a single meal at the time that it was due, but many times it took real planning to provide the necessary where-with-all for it.

As is usually the case, every hill has a top where the climber can get a breathing spell. In a year we reached such a place, proud to say that never a single time had the building and loan payment become delinquent. Then in the offing appeared the "Little Ship with the Silver Sails," which promised to leave one of its passengers with us. I thought of it in consternation, knowing the ceaseless effort necessary to feed and clothe three persons as well as meet the payments on our home, but relying upon the thrift habit acquired by the Building and Loan plan, and that sense of independence which comes from the feeling of proprietorship in your own home, I met the new emergency facing forward. To my surprise, with the added responsibility, came an added faculty on my part to meet it.

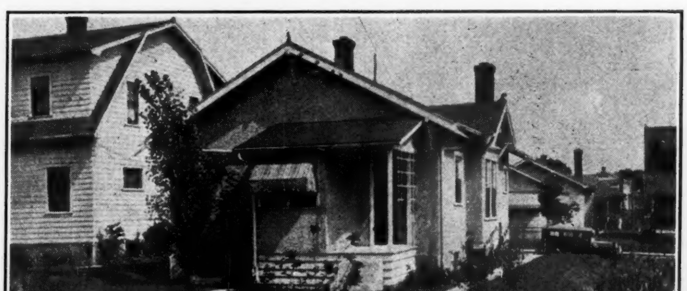
Things went on smoothly and after living in the home for three years opportunity came to dispose of it, at what to us was a fabulous profit of $1,500. With this profit, added to our savings made while in the Building and Loan, we had sufficient capital to give us a very comfortable equity in another place more suited to our needs due to a larger family.

Again the thrift ideas learned and improved upon during the three previous years stood us in good stead in the purchase of another place. We did not go out and buy one of the picture houses so attractive to young people, sold to them on the plan of a dollar down and thirty dollars a month for ever, but found a used house that had not been cared for particularly well, but had been built in the days when real material was put in houses.

We purchased it for less than the material would cost to build such a house now, and by judicial use of paper, plaster, paint, sanding of floors and refinishing wood-work we worked a revolution which was the surprise of the neighborhood. We were very happy in this for a few years until disposing of it at a profit. At the end of ten years from the purchase of our first home we built our own brick home of which anyone can be proud, in one of the best resident sections of our city.

We have three reasons for enjoying it to the fullest extent, they are Margaret Ellen, age 9; J. Lloyd, Jr., age 8, and Collins, age 6. All our present happiness has been made possible through the Building and Loan plan of home owning.

At no time during the earlier years of our home-making did we have sufficient funds to assume the responsibilities and pleasures of home owning. We did have the earning power to meet this cost over a period of years, however, and here is where the Building and Loan idea fits in admirably. The accommodation was granted us at a nominal cost. The funds of the association were protected, of course, by the mortgage which they held, but its actual security was much greater because under any circumstances, we were determined to own our home and meet all payments.



A small bungalow is ideal for the prospective home-maker

Obtaining the Benefits of Thrift Without Financial Genius

A Plan That Has Practicability Rather Than Originality

By RAE NORDEN SAUDER

"DOES it work?" is the test of any plan. It is a question that sometimes stumps the idealist and founders the visionary. Ask that question of me in regard to my THRIFT PLAN and I answer unreservedly, whole-heartedly and truthfully, "Yes."

The plan, then, is a success, and, if the analyst cannot find in it for his searching one scrap of originality or one germ of financial genius, he must judge it on the assumption that as long as it is a success, the end justifies the means.

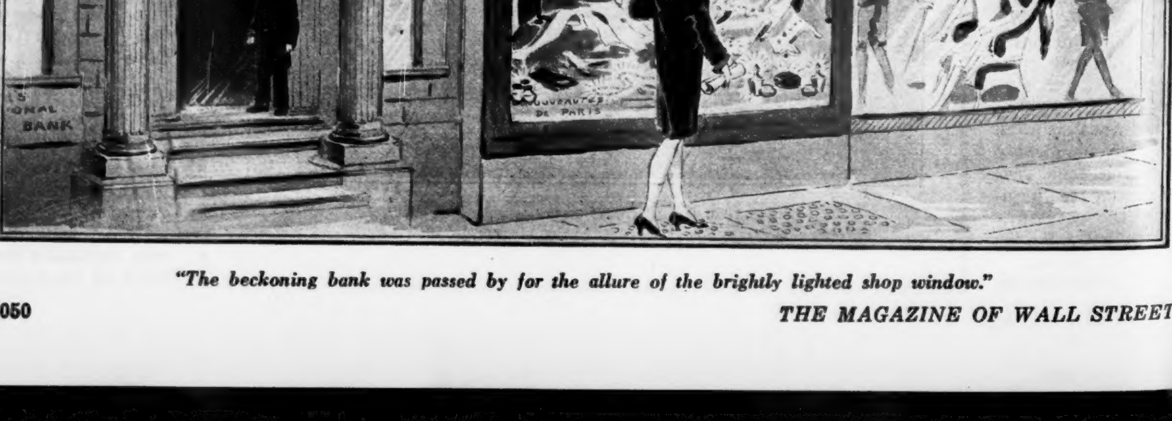
Never had I, a woman writing rather lucratively for a living, ever saved a cent; never had I known the pleasure of watching the great oak of capital grow from little acorns of pennies. The beckoning b a n k was passed by for the allure of the brightly-lighted shop window—but a booklet came in the mail one day that made my whole improvident life pass before me like the unfolding of a drama, concluding with a scene in the poorhouse or in a home for the indigent aged.

That booklet was merely one thread in the net of advertising that has caught me fast in its meshes, and unlike most prisoners, I don't want to escape. I like facts and the brochure before me set them out, but as I read it all began to sound like a fairy tale written by a magician. There was a fascinating and easily-comprehended tabulation spread across the two middle pages that showed me how, by saving $20.00 a month—only $5.00 a week—for ten years at 6% and putting that sum into the purchase of good bonds on the instalment plan as it were, I would have accumulated a principal of $3,280.00. Other amounts were developed in proportion, and there was another table which showed how, if one had a goal of anywhere between $10,000.00 and $200,000.00, one could go about realizing those amounts by means of systematic investments over periods of years at interest between 4% and 6%, assuming always that the funds would be invested monthly in safe bonds, with the interest promptly reinvested.

My eyes, for the first time, were open. I could have a nice little nest egg of $10,000.00 in five short years by investing $142.88 each month towards good 6% bonds and reinvesting the interest. I learned other fascinating things from that book, and I had a real sensation of joy when I realized that it had not come too late, that I was still in the early thirties and therefore could set my goal and, barring emergencies, could stick to one of the plans outlined.

A cautious individual, I, so I consulted a banker or two and a lawyer and inquired as to the standing not only of the bond house that had issued the circular but of others well known in the city.

I got started on my *unoriginal plan.* I simply let others do all my financial thinking for me and I get the results in a mounting total of capital saved out of my own earnings. I depend upon the experience, training, wisdom and technical knowledge of bankers, brokers, lawyers, accountants and



"The beckoning bank was passed by for the allure of the brightly lighted shop window."

"NO originality—not one idea of my own," says the author of this article by way of a prelude to a description of the virtues embodied in the thrift plan discussed on this page. But what the method employed to accumulate an investment fund lacks in new ideas, it more than makes up for in practicability and common sense. Consistent saving; invariably putting something aside from income; and, conservatively investing the proceeds with no other thought than safety is the foundation of the plan. Certainly there is little originality in such a scheme for financial independence. But, as the author points out, it is a good sound method of attaining financial progress because it is a method that brings results. And any method that "works" can afford to lack emphasis on originality.

experts generally to outline, via the printed page and discussions, their plans to me, and then I do as my judgment, based on their knowledge, dictates.

I read financial pages, financial reviews and periodicals. I study all the literature I receive in the mail, and welcome my inclusion in mailing lists of big investment houses, rather than resenting it. Not a piece of investment literature is tossed into my waste paper basket before it is carefully considered. If it repeats something already in my files I don't want it, and if its sponsor is a fly-by-night concern or one that promises too much, its off my list.

A certain regular sum every month goes toward the purchase of various kinds of bonds, aiming towards diversification, and I often do without some luxury to make the payment. The mechanics of this kind of investing I won't go into, as they are open to anybody upon inquiry.

Then I discovered, belatedly, the savings banks. The trickle of small sums that they can catch and hold for you, paying you up to 4½% interest, is amazing. I read somewhere in a booklet that one should use the savings bank as a depository for funds at that rate of interest until a sum sufficient for the purchase of a bond has accumulated. I buy bonds mainly in $100 pieces, but this is an individual matter. I keep mv savings bank balance at around $80, so as always to have a nucleus, and each additional $100 saved is drawn out and finds itself in my safe deposit box in the form of an engraved baby bond.

Still no originality? Not an idea of my own. Nothing more startling than taking the great American god, advertising, seriously.

It must not, by the way, be assumed from the foregoing that I have an income so large that it is no sacrifice to save. My saving is beginning to pinch me hard now, but I am enjoying it so much that I can pass by the latest thing in Reboux hats and laugh at it. Also, I have no obligations to anyone, which makes a big difference. If I had, I should have to curtail these thrift expenditures and go a little more slowly towards the accumulation of a capital fund.

Building and Loan Associations were practically unknown in the city I came from, but where I am living now they thrive. Somebody explained their operation to me, and they sounded not only attractive but eminently safe. The first five shares I bought have run for six years so far, and each six months after the first I took out five more shares until I was carrying $50 a month. If they mature, as they should, at six months' intervals beginning about five years hence, I shall receive in all $10,000 cash. I hope I can put that out to work at interest for me when the time comes, and I shall unless I need it for an emergency.

I learned, in the meanwhile, that all stocks are not speculative and that high class stocks with a good dividend record are investments advocated by the most conservative. I learned about borrowing from banks on my securities as collateral, and how a 1% difference between the borrowing rate of interest and the return from a new investment will turn to the borrower's advantage.

In many of my small financial operations I have put the cart before the horse. Instead of effecting small economies, as most women do, scrimping here and saving there because they are looking forward to the day when systematic saving could start, I reversed the order and find that my systematic saving drives me towards the small economies. It is because I am obligated to pay so much for a bond, so much for a few shares of preferred stock, my Building and Loan, and to keep my promise to myself that I put variable small bits into the savings bank each week, to say nothing of some insurance that I was talked into after reading somen propaganda addressed especially to women, that I pause before buying what I used to think necessary and ask the question, "DO I really need it?" Once in a while I fall, of course, being human, and buy something that does not qualify under this rule, but that, my heart desires. This is not a flaw in my plan, however, but merely a personal failing that I manage to hold down to a reasonable minimum and at the same time avoid being utterly miserly.

Christmas clubs and vacation clubs are appealing to me too, but I shall have to work harder and earn more money before I can apply for the coupon books the banks give out for these magic purposes.

Thrift is almost as exhilarating as creative work. It is, in a sense, creative, and I have to thank the splendid publicity given to the idea for my initiation into the ranks of those who, given a fairly long life, won't be dependent at its close.

Converting Temporary Life Insurance to a Permanent Basis

Other Insurance Suggestions to Readers Who Seek Advice

By FLORENCE PROVOST CLARENDON

Insurance Editor:

Would appreciate very much your advice on my insurance problems. I have a twenty payment full participating double indemnity for five thousand that I have paid on for twelve years now with Aetna Life Insurance Co.

I have two convertible full participating double indemnity for ten thousand each with Aetna, as I have had same for three years now feel able to convert same. I could invest up to eight hundred dollars per year in these policies based on my present income. My age will be thirty-five this year, am married, no children.

Also would appreciate advice as how I should arrange payments to beneficiary on this insurance. I am carrying ample accident and sickness insurance and my income is on salary. Addressed stamped envelope enclosed. Thanking you in advance. I remain,

Yours truly,

J. G. E.

I would advise that you convert your Term insurance, $20,000 in all, to the 20 Payment or 25 Payment Life plan, as may best suit your plans. Under these conditions premiums would be payable during the years when your income would, normally, be reaching its peak, and would cease at a time when it is preferable to be free from the obligation of premium payments.

You are apparently of a thrifty disposition, believe in the wide benefits of life insurance, and although you do not state your approximate annual income, are apparently in a position to take more life insurance for the protection of your beneficiary and to build up an old age income for yourself in the happy event that you live on to the riper years of life.

I would suggest that of your present coverage, you arrange for the proceeds of one $5,000 policy to be paid in a lump sum to the beneficiary. Life insurance represents ready cash at a time when money is most needed, and frequently investment securities cannot be readily realized upon on the death of the breadwinner without loss to the estate. The proceeds of a $5,000 policy then should meet the expenses incidental to the last sickness of the insured and those readjustment costs which are incidental to the family at such time.

The remainder of your insurance, $20,000, could with advantage be made payable *as income* throughout the life of the beneficiary payable either monthly or quarterly as may be desired. In visualizing your life insurance *as income* you can the more readily ascertain whether you consider the amount you now carry is sufficient.

Insurance for a Young Man

Insurance Editor:

Please advise me what kind of insurance I should have and what amount.

I am 23 years of age, no dependents and probably none within the next ten years. Have about $7,000 invested in stocks and bonds and am able to save about $150 per month. Will be able to increase the monthly savings from year to year. Have no insurance now except about $2,000 with my employers which costs practically nothing. Have perfect health and am steadily employed in outdoor work.

Thanking you for any information you may give me, I am,

Yours truly,

G. M. U.

While you have no dependents now, we presume that you do not contemplate continuing to live in "Single Blessedness" and that later you will marry and become the head of a household. It is well to take life insurance now and begin to build an estate through this source while premiums for the coverage are at an attractively low rate. You are evidently of a thrifty disposition and can undertake to carry through your life insurance programme, as you have your other thrift funds.

I would suggest that you consider applying for a policy on the Endowment at Age 60, or Endowment at Age 65, under either of which protection would be provided for a beneficiary over a long term of years; premiums would be payable while the income would abnormally be ascending to and finally reaching its height; and in the happy event of your living to the maturity of the Endowment, the proceeds would be payable to yourself providing additional funds at a time when they would be particularly welcome. At age 23, insurance in this form could be obtained at the following rates:

Policy for **$10,000**

Annual premium End't at Age 60	$195
Annual premium End't at Age 65	$173

This policy would be well rounded out by the inclusion of the Disability Benefit, and the Additional Accidental Death Benefit which would call for a small extra annual premium in each case, and give broad coverage in event of your becoming totally and permanently disabled, or if death should occur by accident.

The Actuarial Basis for Annuities

Insurance Editor:

A recent article on annuities told me a great deal that I wanted to know but not quite all, so I am taking advantage of the opportunity of making a personal inquiry. Can you give me an approximate schedule for the cost per $1,000 for different ages, say for 40, 50 and 60 years? Could arrangements be made so that the amounts paid to the annuitant would increase after five years? I should be also interested to learn what expectancy of life the companies figure out for each age. Thanking you in advance for this information, I am,

Very truly yours,

A. E. B.

Returns from purchase price of annuities vary somewhat according to the company which issues the contract, but I think the following will give you an approximate idea of what you could expect to receive:

Life Annuity per **$1,000** *of Purchase Price*

Age of Annuitant	Annual Payment	Semi-annual Payment	Quarterly Payment
45	$67.75	$33.31	$16.52
50	74.33	36.48	18.08
55	83.26	40.78	20.19
60	95.63	46.70	23.08
65	109.08	53.09	26.20

The returns under Immediate Annuities are not attractive under age 45 or 50. Regarding the purchase of an Annuity under which the annuity in-

(*Please turn to page* 1070)

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousand currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Inquiries cannot be received or answered by telephone nor can personal interviews be granted. Inquiries from non-subscribers of course will not be answered.

ALLIS CHALMERS MFG.

What are the prospects for Allis Chalmers this year? I have had the stock for several years and have felt inclined to take a profit around the current price of 120—I paid 73 for it. Do you think I would be well advised to do this?—A. B. L., Cincinnati, Ohio.

As you doubtless know, Allis Chalmers Mfg. is engaged in the manufacture of saw mill, flour mill, electrical, mining and pumping machinery, tractors and a wide line of gas, electric and steam engines. As a result of acquisitions in 1927, electrical products now constitute about 50% of sales volume, although present indications are for expansion in all lines during the current year, with the possibility that tractor output will be nearly doubled. Following refinancing during the late year, capitalization now consists of $15 millions funded debt and 260,000 shares of $100 par common stock. Earnings have shown marked stability over a period of years, and sales have shown consistent yearly expansion since 1921. Profits in 1927 available for the common, after actual prior charges, were equal to $10.02 a share, against $9.48 a share in 1926. However, based on present capital structure, earnings last year were equal to about $13.20 a common share. Financial condition is excellent, and some upward revision in common disbursements seems warranted whenever directors so elect. Further, with surplus approximately 55% of total capital stock outstanding, a stock distribution is not an altogether remote possibility. The current income return is low, but with higher dividends in prospect, together with the company's favorable outlook, we believe retention justified.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

LEE RUBBER & TIRE

What are the prospects for Lee Rubber & Tire? I purchased 100 shares at 8½ about a year ago and would like to know if the recent advance is justified by the outlook for the company.—P. W. R., Hartford, Conn.

Lee Rubber & Tire is engaged in the manufacture of tires, and also produces a fairly complete line of miscellaneous rubber goods, the latter understood now to comprise about one-quarter of total business volume. It is one of the smaller companies in the field—doing a business of about $1 million monthly—which is not without its advantages, permitting, as it does hand-to-mouth buying of crude rubber supplies, thus placing the organization in a position less likely to suffer substantial inventory losses through declining crude prices. That, together with drastic inventory adjustments at the end of 1926, enabled the company to turn an operating loss of $979,500 in the full 1926 year into a profit of $624,254 in the ten months ended October 31, 1927, equal to $2.08 a share on the 300 thousand no par shares now outstanding. Profit from sale of securities in the later period was equal to about 54 cents additional. Financial condition has also been improved, bank loans being reduced to $1,504,000 on October 31st last from $2.3 millions as of December 31st, 1926, and inventories declined about $581,000 to approximately $2.7 millions, the latter being under then existing values. Current business volume is understood to be running ahead of last year, and with further declines in crude prices, with no indications of an immediate reversal of trend, Lee at present enjoys a distinct competitive advantage. While the shares are speculative, if you are willing to assume a degree of risk, we suggest retaining for the time being.

ENDICOTT JOHNSON

About four years ago I purchased 50 shares of Endicott Johnson around $50 a share and last year bought 50 more at 73. I am in a position to increase my investment if you think it wise. I am in the retail shoe business and that is one reason I favor stocks of this character.—I. G., New Orleans, La.

Endicott Johnson is a well rounded organization, constituting the second largest shoe manufacturer in the United States. In addition, it manufactures all the rubber heels and rubber soles used in its factories, and also tans a considerable portion of its leather requirements. Reflecting general improvement in the industry, together with improved merchandising methods and greater diversification in

(*Please turn to page* 1056)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Seasonal Factors At Work

Business Situation Shows Improvement But Largely As a Result of Seasonal Influences—Broad Expansion Including All Lines Still Delayed—Prices Somewhat Firmer

STEEL

Activity Sustained

THE only inference to be drawn at present with regard to movements in the steel industry is that nothing of a spectacular nature is likely to occur and that the current rate of activity will in all probability be sustained for the next several months. Incoming business is not as large as mill operations would seem to indicate; in fact the volume of new orders coming into the market suggests that producers are enabled to maintain present level of output chiefly because of substantial unfilled tonnage on the books awaiting shipment.

Since 1924, each succeeding year has witnessed the peak of production in March and this year that month probably will provide a similar showing. To accept without reservation the very optimistic belief, which is held in some quarters, that rate of activity will show a marked improvement from this

(*Please turn to page* 1084)

COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1928 High	1928 Low	*Last.
Steel (1)	$33.00	$33.00	$33.00
Pig Iron (2)	17.00	17.00	17.00
Copper (3)	0.14⅛	0.14	0.14⅛
Petroleum (4)	1.90	1.03	1.28
Coal (5)	1.75	1.52	1.52
Cotton (6)	0.20	0.17⅝	0.20
Wheat (7)	1.82⅝	1.50⅞	1.82⅝
Corn (8)	1.21⅜	1.06	1.21⅜
Hogs (9)	0.08¼	0.07⅝	0.07⅞
Steers (10)	16.50	14.10	14.10
Coffee (11)	0.17¼	0.14¼	0.16⅝
Rubber (12)	0.41	0.24½	0.26¾
Wool (13)	0.50	0.47	0.49
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.04⅝	0.04¼	0.04⅝
Sugar (16)	0.05⅞	0.05⅝	0.05⅞
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	21.95	19.96	21.95

* March 24.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—No signs of a letup in production activity apparent, although new orders are not as heavy as formerly. Industry operating at about 84% with prospects that April will continue the pace set in March. Automobile, construction and farm implement industries still most important buyers. Prices showing slight improvement.

METALS—Copper buying shows signs of improving buying in both foreign and domestic markets. Even though this move does not assume the large proportions indicated the price situation is not unsatisfactory to many important producers. If prices maintain current firmness notable improvement in earnings should result.

PETROLEUM—Seasonal improvement being witnessed in demand for gasoline and prices are moving higher. Crude production in Seminole area down again and output is now at lowest level since February, 1927. Large stocks, however, unlikely to permit any radical change for the better in crude situation for some time.

AUTOMOBILE ACCESSORIES—Heavy production of motor cars is being reflected in large volume of business for automobile accessory manufacturers, with first quarter an exceptionally good one. Larger use of equipment by automobile producers impairs retail accessory business.

RAILROADS—While February earnings are under those reported in the corresponding month a year ago, they show a decided improvement over January of this year. A similar movement is being witnessed in car loadings, which should show greater gains in coming weeks in view of seasonal upward trend in commodity shipments.

TOBACCO—Total withdrawals for consumption by cigarette manufacturers in February amounted to over 7.5 billion, a gain of nearly one billion over the corresponding month last year.

TEXTILE—Cotton good markets are not very active despite recent strength of the staple, and mill production reflects this condition. Silk continues to hold firm and the outlook for coming months is still favorable. The same may be said for wool.

SUGAR—Present raw markets present more favorable aspect as prices approach 3 cent level. From longer range viewpoint, however, outlook is less promising in view of world production for 1927-28 season of over 25 million tons. Cuban restriction to 4 million more than offset by increases in European beet, and cane from other sections.

SUMMARY—While the broad upturn including the majority of industries has not assumed proportions anticipated earlier in the year, many basic lines give unmistakable evidence of slow but steady progress toward higher activity.

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IS A DRASTIC REACTION CLOSE AT HAND?

The Stock Market has literally been "boiling." Scores of issues have reached new highs—many opening up 5 to 20 points over night. All records for volume of trading and rapidity of advance have been shattered. The public is rushing in to add still greater momentum to this so-called "orgy of speculation." Is the inevitable day of reckoning close at hand?

THE Stock Market has been featured on the front pages of newspapers for many days. Many securities which already seemed to be selling too high go up still higher. The Market is honeycombed with stop-loss orders. Odd lot orders in brokerage offices are reported to have grown tremendously. Aggressive pools are forcing their favorites to heights undreamed of a short time ago.

Do all these happenings point unmistakably to a widespread distribution of stocks? Are such conditions the prelude to a general and drastic "break"—one of greater magnitude than has been witnessed for a long time?

Or can the present activity continue for some time to come, with first one group and then another being pushed to new high levels?

Even the holder of high-grade investment securities should have the answers to these vitally important questions. And certainly the "shorts" will want to know whether there is still hope for them.

Our current Stock Market Bulletins go into the situation carefully, telling exactly what should be done with a large number of securities, included among them:

A. M. BYERS
CHRYSLER
PENNSYLVANIA
GLIDDEN
CERTAIN-TEED PRODUCTS
NATIONAL POWER & LIGHT
NEW YORK CENTRAL
LORILLARD
CUDAHY PACKING
LIGGETT & MYERS
ARMOUR & COMPANY
AMERICAN RADIATOR
MISSOURI PACIFIC
FLEISCHMANN
NATIONAL DAIRY PRODUCTS
WRIGHT AERONAUTICAL
U. S. REALTY
SEABOARD AIR LINE
ST. LOUIS-SAN FRANCISCO
CONSOLIDATED CIGAR
MARLIN ROCKWELL
GREAT NORTHERN
AMERICAN TOBACCO
OTIS ELEVATOR
ST. LOUIS-SOUTHWESTERN

If you are interested in any of the above securities, or would like to know what the Stock Market is likely to do next, write today for copies of our current Bulletins. They will be mailed to you free upon request, together with a copy of our booklet, "MAKING MONEY IN STOCKS."

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INVESTMENT RESEARCH BUREAU, Div. 252, Auburn, New York

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Name ....
Address ....
City ....State ....

ANSWERS TO INQUIRIES

(Continued from page 1053)

products, earnings registered a sharp gain in the 1927 year, being equal to $8.68 a common share, before preferred sinking fund, against $7.03 a share in 1926. Profits, on the whole, have shown marked stability over a long period of years. Higher raw material prices now prevailing have been offset to an appreciable extent by increases in prices of finished products, and while incoming business is rather light, the company has many orders on hand, so that operations are being maintained at a comparatively high level. Financial condition is such as to permit continuance of the payment, indefinitely, of current dividends at the annual rate of $5 a share, barring a most drastic falling off in earning power. We believe the shares suitable to hold for income and eventual price appreciation. If such a course does not interfere with proper diversification additional commitments seem justified.

YOUNGSTOWN SHEET & TUBE

What has been the cause of the break in Youngstown Sheet & Tube stock? I bought it several years ago at your suggestion at 78 and could have sold out above 100 since then, but I have felt that this company was headed for a greater prosperity than it has enjoyed.—G. G. W., Chicago, Ill.

Reflecting various factors, Youngstown Sheet & Tube suffered a sharp decline in earnings in the year 1927, when profits were equal to only $6.11 a common share, against $14.32 a share in 1926. That resulted, principally, from generally lower selling prices, contraction in volume of operations, and particularly from depression in the petroleum industry, on which latter the company depends for much of its prosperity. Lower prices for zinc ore, which is produced in large quantities, also cut into profits. Some improvement is now being shown in pipe manufacturing activities, and while this has not yet become pronounced, so that profits in the initial quarter of the current year will show little improvement over the final three months of 1927, the outlook in ensuing months seems favorable. Advancing prices on other lines are likely to offset the absence of further substantial improvement in the pipe end of the business. In the meantime, financial condition is sound and dividends at the current annual rate of $5 a share should be maintained without difficulty. The recent high levels attained by the shares may be ascribed to speculative enthusiasm engendered by discussions of merger with Inland Steel, which were subsequently abandoned. At present levels the shares appear in an attractive light, and we advise holding for income and price appreciation, as indicated improvement in earnings is realized.

BRUNSWICK-BALKE-COLLENDER

Can you give me any information regarding the market outlook for Brunswick? I find it a very satisfactory investment which has cost $28 a share. Every year, however, it seems to have a jump of 12 or 15 points and then drops back to around the price I paid for it. It is now 10 points above this year's low and I am thinking of taking the profit with a view to repurchasing it when it has its seasonal setback. Would you take this chance?—W. R. O., Providence, R. I.

The Brunswick Balke Collender Co.'s report for the past year showed a decline in net sales and income and the common stock earned about $3.50 per share, after preferred dividend. In 1926 net profits were equal to $4.48 per share of common stock. Annual dividends of $3 per share were not earned by a sufficient margin to inspire confidence in the security of the present rate, particularly when the highly specialized and competitive nature of the company's business is considered. A review of earnings over a period of years reveals wide fluctuations and, on the whole, the general record of the company leaves something to be desired. To the credit of the company's management, it is to be noted that energetic efforts have been made to keep step with modern developments particularly in the field of radio and electrical recording but as stated, competition is strenuous and it is practically impossible to gauge operations any reasonable distance ahead. A new contract recently entered into with the Radio Corporation makes Brunswick a virtual distributor of Radio Corporation products, and this must be regarded as a constructive factor. However, the shares seem to be a speculation of the more radical type and appear to be selling about in line with their average earning power.

VICTOR TALKING MACHINE

What is the situation in the Victor Talking Machine Co.? I have 20 shares that cost me 45 and, of course, I have a very nice market profit on it. I have read something in the newspapers about a merger with Radio, but the company has not sent me any information regarding it.—G. W. G., Evansville, Ind.

With its history dating back to 1901, Victor Talking Machine, ranking as the world's largest manufacturer of talking machines and records, had always been a prosperous organization until 1924, when, with the advent of the radio, earnings suffered a precipitate decline, followed by a loss in 1925, after write-offs of obsolete inventories and adjustments, amounting to about $5.5 millions. However, with the advent of new interests in the company's affairs nearly two years ago, large outlays were made for improved sound recording and producing devices, leading to the introduction of the orthophonic Victrola and Electrola, the Orthophonic Victor record, and the combination of talking machines with the Radiola, made by the Radio Corp. of America. The new products met with prompt favorable public reception, so that earnings registered a sharp improvement in 1926, being equal to $10.16 a share of common stock now outstanding, followed by $8.93 a share in 1927. As is usually the case regarding companies of this character, profits are the leanest in the first six months of the year, and of the balance reported for 1927, only $1.61 a share was earned in the half year ended June 30th, 1927, followed by $7.32 a share in closing six months. Operations are now understood to be running at capacity, and earnings for the initial quarter this year are estimated 50% over the same period last year. Financial condition is exceptionally strong, working capital amounting to almost $25 millions; cash and its equivalent alone being about three times approximately 4.5 millions current liabilities. Reflecting the general improvement in the company's affairs market prices of the common have recently enjoyed substantial rise. Nevertheless, the issue remains in an attractive light as a long pull holding. It has been recently reported that officials of Victor and Radio Corp. are working on details of a plan to merge the companies, but there have been no definite developments to date, although an official announcement is possible before this issue of THE MAGAZINE OF WALL STREET goes to press. In the absence of a knowledge of actual terms it is difficult to judge Victor's relative position, but such a merger has huge possibilities and should work out to the ultimate advantage of all concerned.

INTERNATIONAL TEL. & TEL.

Can you tell me briefly just what would consolidation or merger of International Telephone & Telegraph with the Mackay organization would mean to me as a stockholder in International? I have a very nice position in the stock, owning 100 shares outright that cost me 117. Would I be justified in adding to my holdings? E. T. Y., New York, N. Y.

Recent developments in connection with the International Telephone & Telegraph Co. are of undeniable importance and likely to have a wholly constructive influence on future operations. The announcement of a merger between the company and Mackay Companies, coming shortly after a very favorable report for 1927, should be most gratifying to shareholders. The bringing together of two such important organizations into the same fold will result in an integrated unit occupying a dominant position in the field of international communication. Briefly, the proposed plan of merger provides for the formation of a new company to take over the submarine cables and land lines of the Postal Telegraph Co. and Commercial Cables Co. which are in turn controlled by Mackey Companies. Common shareholders of the latter company will receive three shares of 7% preferred stock of the new Commercial Postal Co. and one share of International Tel. & Tel. Co. capital stock for each four shares held. All of the common stock of the new company will be owned by the International Tel. & Tel. The scope of activities of the latter company will then include a compre-

(Please turn to page 1070)

$17,867,000

Wabash Railway Company

Refunding and General Mortgage 4½ % Gold Bonds, Series "C"

Due April 1, 1978

Coupon bonds in $1,000 denomination registerable as to principal, exchangeable for fully registered bonds and reexchangeable under conditions provided in the mortgage. Interest payable April 1 and October 1.

NOT REDEEMABLE BEFORE OCTOBER 1, 1937

The entire series, but not part thereof, will be redeemable at the option of the Company on October 1, 1937, or on any interest date thereafter up to and including April 1, 1973, at 102½% and accrued interest and thereafter at the principal amount thereof and accrued interest plus a premium equal to ¼% for each six months between the redemption date and the date of maturity, upon not less than sixty days' previous notice.

The issuance and sale of these Bonds are subject to the approval of the Interstate Commerce Commission.

William H. Williams, Esq., Chairman of the Board of the Wabash Railway Company, in a letter dated March 14, 1928, *copies of which may be obtained from the undersigned, writes in part as follows:*

"These bonds will be issued under the Refunding and General Mortgage of the Company dated January 1, 1925, and will be secured by a direct mortgage upon all of the lines of railroad and other property owned by the Company at the date of the mortgage as therein described, including valuable terminal properties in the cities of Chicago, St. Louis and Kansas City, and on equipment (or the equity of the Company therein) having a net value as of December 31, 1927, after depreciation, over outstanding equipment trust certificates, of not less than $33,590,563.93.

The lines of railroad covered by the mortgage comprise about 2,032 miles of first main track, 360 miles of second main track and 1,007 miles of other track, on various parts of which the Refunding and General Mortgage is subject to prior obligations in the aggregate principal amount of $61,659,445, for the retirement of which at or before maturity Refunding and General Mortgage Bonds are reserved. None of the prior obligations may be renewed or extended and no further issues made under the indentures securing them, except that $5,936,310.77 principal amount of additional bonds may be issued under The Wabash Railroad Company First Lien Terminal Gold 4% Trust Indenture dated January 1, 1904, for the acquisition of additional terminal properties. Refunding and General Mortgage Bonds are reserved for the retirement of any such additional Terminal bonds which may be so issued. The entire bonded debt of the Company, issued and outstanding as of January 1, 1928, together with the present issue, amounts to $107,526,445.

The lines of railroad covered by the Refunding and General Mortgage traverse the states of Indiana, Ohio, Illinois, Missouri, Iowa and Michigan and in conjunction with leased lines and trackage rights form a direct connection between the important cities of Buffalo, N. Y., Detroit, Mich., Chicago, Ill., and Toledo, O., St. Louis and Kansas City, Mo., and Omaha, Neb.

The present issue of $17,867,000 principal amount of Bonds is being issued to reimburse the treasury of the Company for capital expenditures heretofore made and to provide additional funds for capital purposes.

For the year ended December 31, 1927, the gross income of the Company applicable to the payment of fixed charges and rentals, amounted to $11,592,874.92, while such charges amounted to only $6,829,264.69.

The Company has outstanding $69,333,050 Preferred "A," $2,462,141 Convertible Preferred "B" and $66,697,775 Common Capital Stock, having a present market value of approximately $116,000,000.

The total authorized amount of Refunding and General Mortgage Gold Bonds which may at any time be outstanding is limited to an amount which, together with all prior obligations of the Railway Company as defined in the mortgage, shall not exceed one and one-half times the aggregate par value of the then outstanding capital stock of the Company.

There will be outstanding in the hands of the public after the present issue of $12,500,000 Series "A" 5½% Bonds due March 1, 1975, $15,500,000 of Series "B" 5% Bonds due August 1, 1976 and $17,867,000 Series "C" 4½% Bonds due April 1, 1978. In addition to the Bonds reserved for refunding Prior Lien Bonds, as hereinbefore stated, bonds may be issued under the Refunding and General Mortgage for the acquisition of new properties or to the extent limited by the mortgage, securities representative thereof, or for extensions, betterments and improvements or for 90% of the cost of equipment and to reimburse the treasury of the Company for expenditures heretofore made for such purposes. A sinking fund of 5% per annum for twenty years is provided in respect of bonds issued for equipment expenditures.

Application will be made in due course to list these bonds on the New York Stock Exchange."

THE UNDERSIGNED WILL RECEIVE SUBSCRIPTIONS FOR THE ABOVE BONDS, SUBJECT TO ALLOTMENT, AT 95½% AND ACCRUED INTEREST TO DATE OF DELIVERY, TO YIELD ABOUT 4.74% TO MATURITY.

The undersigned reserve the right to close the subscription at any time without notice, to reject any application, to allot a smaller amount than applied for and to make allotments in their uncontrolled discretion.

The above bonds are offered if, when and as issued and received by the undersigned and subject to the approval by the Interstate Commerce Commission of the issuance of the bonds and their sale to the undersigned and to the approval by their counsel of all legal proceedings in connection with the issuance thereof. Temporary bonds or interim receipts will be delivered against payment in New York funds for bonds allotted, which temporary bonds or interim receipts will be exchangeable for definitive bonds when prepared.

Kuhn, Loeb & Co.

New York, March 22, 1928.

All of the above Bonds having been sold to investors and dealers, this advertisement appears as a matter of record only.

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POWERFUL NEW INFLUENCES AT WORK IN SECURITY MARKETS

(*Continued from page* 1019)

porations which can consistently increase their earnings. That is why mail order and chain store securities have been so successful, also public utilities and corporations like General Motors, Can, Biscuit, Steel and the like. Nevertheless, a strong case can be made out for the rails on the ground of their inherently stable position and probable relatively stronger resistance in the event of a pronounced downswing. And, very likely, some day they will come into their own.

Technical Position Predominates It has been said that the market shows a rather pronounced inclination to ignore general business conditions. And, at the present, it is ignoring the stand of the Federal Reserve on stock speculation. The one factor, however, to which it is paying the greatest attention, to the exclusion of almost everything else is its internal—or technical—condition. In this sense, the market is following the strictest economic law of supply and demand and as such its action is entirely logical.

The supply of and the demand for stocks, of course, is predicated on two factors, the general state of business and the availability of funds for speculation. If business is stable, though not necessarily excessively prosperous, and if funds are abundant, sufficient confidence in the market's position exists to warrant investors in retaining their securities. Hence, the supply of stocks is low as at present. In former years, a decline in the stock market would bring about an increase in the supply of stocks but under present conditions with funds freely available, the public cannot easily be induced to liquidate and, hence, the supply is restricted. In recent years, all short drives against the market have resulted in bringing in new buying and, in all likelihood, so long as business remains comparatively prosperous and money cheap and abundant, it is probable that the public will avail itself of market declines to add to its holdings. This remains the clearest clue to the sustained advance in the market. So far as can be seen at present, the only factor likely to change the situation is either a business depression or money stringency or both. Neither of these two seem in prospect.

This, however, does not mean that stocks will continue to advance without serious interruptions. Continued advance in security prices has a definite tendency of weakening the technical position of the market until,

(*Please turn to page* 1060)

— I wouldn't take $100 for it—if I couldn't repurchase it"—

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MERELY by signing the coupon you will receive without obligation a copy of "Beating the Stock Market" for one week's free examination. If after having read it you believe the book to be worth its price you can send the $2.00; otherwise you are privileged to return the book.

"Beating the Stock Market" is in its eighth printing. It has already been read by thousands of investors the world over, and almost unanimously has it been acclaimed the greatest work yet written on the subject. The best evidence is the voluntary testimony of those who have read it:

"Of all the books about the stock market I have ever read, none can even begin to compare with 'Beating the Stock Market.'

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—*Dr. J. A. Saffir, Chicago, Illinois.*

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—*Dr. H. Y. Ostrander, Brooklyn, New York.*

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—*Willard P. Hawley, Jr., Portland, Oregon.*

"Can state truthfully that it has already been worth more than its weight in gold to me."

—*D. R. Peck, Detroit, Michigan.*

"Anyone operating or contemplating operations in that fascinating field of what we may designate as 'Practical Finance'—whether investor or speculator—should read your excellent booklet *repeatedly.*

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—*H. E. Vogel, Springfield, Ohio.*

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Electric Bond and Share Company

(Incorporated in 1905)

Paid-up Capital and Surplus, $115,000,000

Two Rector Street New York

(*Continued from page* 1058)

finally, it goes through the inevitable corrective process. It may be taken for granted that, in any case, the market will reflect its own technical position in positive terms.

A New Aspect One of the newest characteristics of the market is to shift its position practically without notice. The market either recedes violently over brief periods or advances with equal violence over somewhat broader intervals, but the important point to notice is that these swings occur without preparation. In former years, after a prolonged advance the market would go through a distributive process for several months before the downward movement became clearly defined; or, after a broad decline, would recline at near its lowest levels for months while accumulation went on. In recent years, the situation has changed and hence the fluctuations have become much sharper. This fundamental change accounts for the market's right about face a few weeks ago and its emergence from depression to extreme optimism practically overnight.

It is natural, of course, that the market's increasing absorption in its own technical condition should give it an aspect of unreality. For example, most of the sound issues offers smaller yields today than good bonds and in many cases we have the rather anomalous condition of a stock yielding less than the bonds or preferred stock of its own company. But, of course, it is a long time since the market took cognizance of yields except in the case of companies whose dividends are insecure. It is even paying less attention than it should to earnings though, to an increasing extent, it is devoting itself to reflecting its own technical condition. This gives a highly speculative character to the market which, when the technical position weakens, is bound to have disastrous results on the more reckless type of speculator. At present, the market seems swiftly heading for one of those periodic cleansing processes which has marked its periodic advances in recent years.

In conclusion, it may be said that the basic influences at work in the market render the possibility of a recurrence of the old-fashioned bear market rather remote, unless our business outlook should alter radically in the near future. Money remains the keynote to market conditions but the market's technical position has assumed a much greater significance than ever before. The public is not likely to liquidate permanently unless business conditions change and money becomes scarce. Nevertheless, as at present it is showing a disposition to over-buy and, hence, a corrective process is to be looked for.

For Feature Articles to Appear in the Next Issue See Page 1013.

where $20,000 BECOMES $40,000

No one need fail to acquire a most substantial estate

AT 6%, $20,000 grows to $40,000 in 12 years. It is, therefore, apparent what can be accomplished with a *guided investment plan* that is sound and productive, even if only *slightly* above the average. Sums as low as $5,000 or $10,000 can be turned into most substantial capital amounts in a surprisingly short time. For example, if the rate of return is increased but 2% it cuts down by 25% the time in which money doubles itself. Carry on this thought . . . further increase the rate of return . . . *and it can be increased considerably further under skilled supervision*, as records extending over the past quarter century show. Capital amounts of from $10,000 to $100,000 and up can be made continuously and actively productive far beyond the *usual* degree.

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The Brookmire staff is constantly unearthing *growing* investment opportunities in companies whose progress is faster than is the increasing prosperity of American industry as a whole. The Brookmire purpose, in fact, is just that: to select securities that show steady appreciation, that provide a better-than-average income and that do these things *with safety*. This does not sound spectacular, and it is not. Steady appreciation over the years, year after year, does not provide the thrill of gambling, but it does provide a constant increase in your capital!

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Records of the recommendations made by Brookmire's have been published repeatedly in papers read by millions of people. These records are public property. What results from following Brookmire advice has been broadcast again and again. (If you happened to miss seeing these records we will mail copies to you.)

This complete service will apply to *your* investments. Sending the coupon will bring the facts. You will find—if the experience of thousands of Brookmire clients is indicative—that through Brookmire Service you can profit consistently, far beyond anything possible for most individuals without the co-operation of such an organization.

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Furthermore, it is important to remember that because of the size of this Service, your investment advice comes not from one or two men, but instead from many highly trained specialists who are constantly contributing their mature judgment to the various phases of your personal investment problems at a cost to you *so low that it is absolutely negligible in relation to the value you receive*. Complete information is ready to send you and we will include our booklet, "Consistent Investment Success," if you will simply mail us the coupon. If your capital exceeds $25,000 we have special data to send you. Simply advise us in sending the coupon that you want to hear about the Personal Supervisory Plan.

Inquiries from west of the Rockies should be addressed to the Brookmire Economic Service, Russ Building, San Francisco, California.

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M-02

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1ST NATIONAL COMPANY

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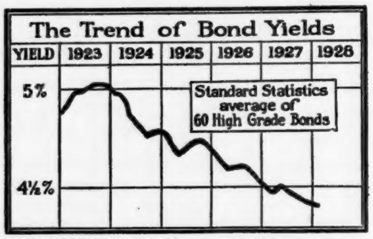

The yield of such bonds usually is about 1% higher than that of high grade investment issues of other species; for example, the interest rate of 5½% on First National Bonds compares with a general market average, as shown by the accompanying chart, of slightly less than 4½%.

First National Bonds are secured by real estate first mortgages which never exceed 60% of the value of the underlying property as established by independent appraisals. Payment of principal and interest on each mortgage is guaranteed by a surety company.

Moreover, The First National Company, with capital and surplus of $2,344,943.98 and total resources of $7,658,333.71, stands directly behind each bond and assumes full legal responsibility for prompt and full payment of principal and interest.

First National Bonds, paying 5½%, provide in addition for payment of the 2% Federal income tax, and for refunds of your local taxes up to an aggregate of ½% per annum on the principal. Denominations: $500 and $1,000. Maturities: 3, 5 and 10 years.

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50 Pine Street, New York

POSITION OF SOUTH AMERICAN BONDS

(*Continued from page* 1031)

of 1909, with no records of default.

4. Peruvian 7% Cedulas Cons. Int. Debt of 1918; 80,000 pounds of this loan are held in London and there appear to have been differences up to March, 1921, between the syndicate and the government with reference to back interest.

5. Peruvian Sterling 5% Bonds of 1920: service on this loan has, from time to time been somewhat irregular.

Service on loans issued since 1922 appear to have been regular.

Peru's Foreign Commerce

Before stating the actual figures of the country's Foreign Commerce, we wish to comment briefly on the general aspect of Peru's economic life. Peru lives largely upon the exports of sugar, cotton and petroleum. There has been a heavy fall in the prices of these three important commodities since 1921. The country cannot be expected to adjust immediately to the conditions imposed by the international market, but it is finding this burden particularly heavy in view of the fact that the government has an extensive program for opening up undeveloped territories. It goes without saying that it is extremely difficult to get revenues in face of the heavy fall in the price of the three principal articles of commerce upon which the economic well being of Peru depends.

These statements are illustrated by further figures of the Foreign Commerce of the country which, however, do not include so-called invisible items, i.e., interest and other payments which the country owes to foreign investors.

	Imports	Exports (In 1000 U.S. Dols.)
1913	$29,043	$43,857
1919	60,043	132,345
1920	84,264	162,046
1921	60,009	59,978
1922	40,887	72,154
1923	58,084	98,439
1924	73,019	101,713
1925	73,476	87,459
1926	72,762	89,154

It is clear from the above statements that the Peruvian bonds have advanced to market prices, which fact it is difficult to justify upon close examination of political and economic conditions. As suggested above, conclusions are the more difficult because of the surface appearance of conditions.

In general, whether or not South American investments are attractive is to a great extent a question of market price. The investor should convince himself that he is actually compensated for the risk involved in holding this type of security.

The accompanying table lists a number of outstanding South American issues, with a brief comment on each.

Are

OIL STOCKS

(Admittedly deflated)

A Buy—Now?

In spite of the greatest activity on record and in face of recent marked individual advances in industrial securities, oil stocks, as a group, have advanced only about 10% from their low levels of the winter.

Moreover, there is more evidence of improvement in the oil industry than can be seen in a number of other industries, in which individual securities have advanced considerably more.

MARKED IMPROVEMENT AHEAD?

While it has been necessary recently to further readjust the price of heavy oils, many companies in the Mid-Continent field are withdrawing crude oil from storage, because of the improved demand for high gravity grades.

All indications point to an increasing demand for this type of oil. Higher prices should be seen, when the spring demand for gasolene is under full sway.

INDIVIDUAL BARGAINS?

While, therefore, it is necessary to adopt a policy of continued caution in certain fields in this industry, it is quite evident that there are other divisions in which improvement has already been substantial. Even though a broad bullish position on oil securities may not be warranted, there are certain individual issues that should reflect this situation.

In view of this improvement, without corresponding general price advances in oil securities, a careful survey of the oil situation has been made, with the intention of pointing out individual companies and securities in a sound position. Such an analysis should prove valuable at this time to all holders of, or any prospective purchasers of, oil securities. A few copies are available, FREE.

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RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	3/28/28	Share
Atchison	125⅜	90¼	111¼	70	200	91¾	195¾	182⅝	189½	‡7
Do Pfd.	106¾	96	102½	75	106¾	72	108⅛	102½	108	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	186¼	167	180½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	119	109	116⅝	6
Do Pfd.	96	77¼	80	48¼	83	38½	84	80	84	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	67⅞	53⅜	66⅞	4
Do Pfd.	..	..	..	..	89¾	31⅜	90⅛	82	90	6
Canadian Pacific	283	165	220⅛	126	219	101	216⅞	198	211	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218½	46	205¼	185⅞	192½	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	28½	22¼	28⅜	..
Do. Pfd.	181	130½	143	62½	76	7	44½	37	43¾	..
Chi. & Northwestern	198⅛	123	136⅞	35	105	45⅞	88⅛	79¼	86	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	117⅝	106	115½	6
Do 7% Pfd.	..	..	94¾	44	111¾	64	110⅜	106¼	109¼	7
Do 6% Pfd.	..	..	80	35¾	104	54	102¾	100	102¾	6
Delaware & Hudson	200	147½	159½	87	230	83¼	186	163¼	166⅝	9
Delaware, Lack, & W.	340	192½	242	160	260½	93	147¼	129	141½	‡6
Erie	61¼	33½	59½	18¾	69¾	7	66½	49⅝	57⅜	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	63⅞	54	57¾	..
Do 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	62	52½	†55	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	100⅞	93½	100⅝	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	58⅜	51	55⅜	2½
Illinois Central	162⅛	102¾	115	85¾	139⅜	80⅞	144¾	131¾	140¼	7
Interborough Rap. Transit	..	..	..	..	53¾	9½	41	29	37½	..
Kansas City Southern	50¼	21⅜	35⅛	13½	70½	13½	63⅛	49¼	56⅜	..
Do Pfd.	75½	56	65½	40	73½	40	75½	70	75½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	137½	39½	97¾	84⅛	92⅜	3½
Louisville & Nashville	170	121	147⅞	103⅜	159⅛	56¾	155	145¼	151	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	56½	*¾	41½	33⅛	38	..
Do Pfd.	*78¼	*46	*60	*6½	109½	*2	109	105⅛	106⅛	7
Missouri Pacific	*77½	*21½	38½	19⅞	62	8¼	53	41⅞	49⅞	..
Do Pfd.	..	..	64⅞	37½	118⅝	22¼	115⅝	105	110⅛	..
N. Y. Central	147¾	90⅜	114¼	62½	171½	64⅛	180¾	156	179½	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204⅛	23¾	137½	128	131⅝	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	63⅜	9⅝	67⅝	59⅝	63¾	1
N. Y., Ontario & W.	55⅜	25⅛	35	17	41¾	14¼	32¾	24	29⅛	..
Norfolk & Western	119⅛	84¼	147⅛	92⅝	202	84¼	192	177¾	188	‡8
Northern Pacific	150½	101¾	118⅞	75	102⅛	47⅞	99⅞	92⅜	99¼	5
Pennsylvania	75⅝	53	61½	40¼	68	32¼	70⅜	63	69⅛	3½
Pere Marquette	*36½	*15	38⅛	9⅛	140¾	12⅛	133⅛	124⅞	131½	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	174	21⅛	147⅜	121¼	126	6
Reading	89⅝	59	115½	60⅛	123¾	51⅞	108½	94¼	108	‡4
Do 1st Pfd.	46¾	41¼	46	34	61	32⅞	43⅝	42⅛	43½	2
Do 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	46⅛	44	†44⅜	2
St. Louis-San Fran.	*74	*13	50½	21	117¼	10¾	122	109	121	‡7
St. Louis-Southwestern	40⅜	18½	32⅛	11	99	10⅞	85⅞	67½	82⅜	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	30½	11⅝	19½	..
Do Pfd.	56½	23½	58	15⅛	51½	3	38	19½	26⅜	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	124	117⅝	122	6
Southern Railway	34	18	36¾	12⅛	149	24¾	148⅞	139½	148¾	8
Do Pfd.	86⅞	43	85¼	42	101⅛	42	102¼	98½	101	5
Texas & Pacific	40⅛	10¼	29½	6½	103⅞	14	134¾	99½	132	..
Union Pacific	219	137¾	164⅜	101¼	197¾	110	196¼	186½	195	10
Do Pfd.	118½	79¾	86	69	85½	6¼	87⅛	83	96½	4
Wabash	*27⅞	*2	17⅛	7	81	6	76	51	72½	..
Do Pfd. A	*61¾	*6⅛	60½	30⅞	101	17	96½	88½	94	5
Do Pfd. B	..	..	32⅞	18	98	12¼	92½	87	†89	5
Western Maryland	*56	*40	23	9¼	67⅞	8	50¼	31¾	43⅛	..
Do 2nd Pfd.	*88¼	*53½	*58	20	67½	11	50	33½	†43½	..
Western Pacific	..	..	25½	11	47½	12	37⅛	28¼	34⅞	..
Do Pfd.	..	..	64	35	86½	51⅛	62⅛	57⅛	60½	..
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	130	6	72	67	†67	..
Do Pfd.	..	..	50⅝	16⅝	97	9¼	77	70	†70	..

INDUSTRIALS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	3/28/28	Share
Adams Express	270	90	154½	42	210	22	311¼	195	†260	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	14⅜	9⅝	11	..
Allied Chem. & Dye	..	..	..	..	169¼	34	162	146	158½	6
Do Pfd.	..	..	..	..	124	83	125¾	122	†122¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26½	125	115⅛	†121	6
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	21⅞	15⅝	17⅝	..
Do Pfd.	105	90	103⅛	89⅛	103	18	71⅜	55⅝	64⅛	..
Am. Beet Sugar	77	19¾	108⅛	19	103¾	15⅛	17⅞	14⅞	†14½	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	24¾	15⅜	24½	..
Am. Can.	47⅜	6⅞	63½	19¼	*344½	*21¾	88⅛	70½	86¾	2
Do Pfd.	129¼	98	114½	80	141¾	72	145½	136¾	145½	7
Am. Car & Foundry	76½	36½	98	40	*201	37½	111⅛	104	105⅛	6
Do Pfd.	124¾	107½	119⅛	100	134⅜	105¾	137	130⅝	137	7
Am. Express	300	94¾	140½	77½	183	76½	195	169	184¼	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	15⅝	10¾	12¾	..
Do Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67⅜	52	52⅝	..
Am. Ice	..	..	49	8⅞	*139	25¾	34⅜	28	33	2½
Am. International	..	..	62⅜	12	132¼	17	96⅞	71	94¼	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	101	86½	97½	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	115	107⅝	109¼	8
Do Pfd.	122	75	109	93	127	96½	134	125½	133⅞	7
Am. Metal	..	..	..	..	67⅜	36⅛	46½	39	42½	3
Am. Radiator	*500	*200	*445	*235	*345	64	148	130⅛	147⅝	8
Am. Safety Razor	..	..	..	..	76¾	*3½	62	56	59⅛	‡4
Am. Ship & Commerce	..	..	..	..	47⅛	2½	5⅜	3⅞	4¼	..
Am. Smelt & Ref.	105½	56⅝	123⅜	50¼	188¾	29¼	191½	169	190	8
Do Pfd.	74½	24⅛	95	44	133	18	140¼	131	139¾	7

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	1928 High	1928 Low	Last Sale 3/28/28	Div'd $ Per Share
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	41½	70⅜	53⅞	62⅞	3
Do Pfd.	..	..	..	..	115	78	115	112	†112	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	78¼	55	68¾	..
Do Pfd.	133½	110	123½	106	119	67½	110¼	100	106⅞	7
Am. Tel. & Tel.	153⅝	101	134½	90⅝	185½	92⅛	182⅜	176½	181	9
Am. Tobacco	*530	*200	256	*123	*134½	82½	176	156⅝	169	8
Do Com B.	..	..	..	..	*210	81¼	177	156½	169¾	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	61	52½	56½	‡1
Am. Woolen	40⅝	15	60⅞	12	169½	16⅛	24¾	20⅛	23	..
Do Pfd.	107¾	74	102	72½	111⅞	46⅞	62¼	49⅞	57⅞	..
Anaconda Copper	54⅝	27½	105⅜	24¼	77⅝	28½	59⅝	53¾	57¼	3
Associated Dry Goods	..	..	28	10	140½	39½	48¾	41¼	43½	2½
Do 1st Pfd.	..	..	75	50½	112	49⅞	112⅛	108	112⅛	6
Do 2nd Pfd.	..	..	49½	35	114	38	119⅛	115	†114	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	45⅝	37⅛	41¼	..
Do Pfd.	32	10	74¾	9⅞	76½	6¾	56	38	45½	3
Atlantic Refining	..	..	..	..	*1575	78½	118½	95¾	112½	4
Austin Nichols	..	..	..	..	40⅜	4¼	6⅛	4	5	..
Do Pfd.	..	..	..	..	95	23½	39	26	†33	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	287½	242	†269	7
Do. Pfd.	107½	100¼	114	90	125¼	92	123⅜	118	123½	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	62½	55⅛	59	..
Do 7% Pfd.	80	47	186	68	108	78	121	119	120	7
Brooklyn Edison Electric	134	123	131	87	225	82	235¾	206¾	231	8
Brooklyn Union Gas	164½	118	138¾	78	157½	41	156¼	145	149	5
Burns Brothers	45	41	161½	50	147	76	101	93½	99½	8
Do B.	..	..	..	..	53	16¼	21	15⅝	†18	..
Butte & Superior	..	..	105¼	12¼	37⅞	6½	12⅜	9	10¼	2
California Packing	..	..	50	30	*179½	48¼	79½	71⅝	74	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	26⅞	24	26¼	..
Cerro de Pasco Copper	..	..	55	25	73½	23	69⅞	61½	66	4
Chile Copper	..	..	39¼	11¼	44⅜	7	42⅞	37⅝	39¾	2½
Chrysler Corp.	..	..	..	..	*253	38½	78	54¾	67¾	3
Do Pfd.	..	..	..	..	116	100⅛	117	113⅝	†114¾	8
Coca Cola	..	..	..	..	177¾	18	144⅞	127	142	5
Colorado Fuel & Iron	53	22½	66½	20½	96⅜	20	84⅛	66½	77¾	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	97⅞	89⅛	92⅜	5
Congoleum-Nairn	..	..	..	*184¾	*184¾	12½	29½	23⅜	26¼	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	88⅛	79½	84¼	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	142⅞	119⅝	141¼	5
Continental Can	..	..	*127	*37½	*131¾	84⅜	110	80¼	107½	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	79	64⅜	78⅜	3
Do Pfd.	98½	61	113½	58⅛	142¼	96	146⅛	138⅛	†146	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	93	83⅜	86	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	7⅛	5⅛	†5¾	..
Do Pfd.	..	..	100½	77¼	87	13⅛	32⅜	24	26	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	23⅜	19⅝	21¼	1
Cuyamel Fruit	..	..	..	..	74⅛	30	55⅝	51	†52½	..
Davison Chemical	..	..	..	..	81¼	20⅜	46⅝	34⅜	37⅝	..
Dupont de Nemours	..	..	..	..	*360	105	395	310	380	10
Eastman Kodak	*No Sales		*605	*690	*600	70	173¼	165	169	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79⅜	69	77	5
Endicott-Johnson	..	..	..	..	150	44	83⅛	75⅝	80⅝	5
Do Pfd.	..	..	..	..	125	84	124¾	121¼	124	7
Fisk Rubber	..	..	..	..	55	5½	17⅜	14½	15½	..
Do 1st Pfd.	..	..	..	..	116½	38⅛	91⅛	82	95	7
Fleischmann Co.	..	..	..	..	*171½	46⅛	74½	66	69⅞	3
Foundation Co.	..	..	..	..	183¾	35½	51⅜	42	46¼	..
Freeport-Texas	..	..	70½	25¾	106⅛	7½	109¼	65⅝	81¼	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	93¼	71¼	85½	..
General Cigar	..	..	..	..	*115¼	46	75⅝	67	72⅜	4
General Electric	188½	129¾	187¼	118	*386⅛	81	150	124	147⅛	‡5
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	199	130	186¼	5
Do 7% Pfd.	..	..	..	125¾	125¾	95⅛	127	123½	126⅝	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	96⅛	17	99⅜	78¼	83½	4
Do Pfd.	109¾	73⅜	116¾	79⅞	111½	62½	112¼	109½	112¼	7
Goodyear T. & R. Pfd	..	..	..	..	72½	5	72½	50⅛	56¼	..
Do Pfd.	..	..	..	..	99⅛	92½	99½	92½	95	7
Granby Consolidated	78¼	26	120	58	80	12	48½	39⅛	47⅞	..
Great Northern Ore Ctfs	88½	25½	50⅜	22⅛	52¾	18	25	21⅝	22¼	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	62¾	51	61⅝	..
Houston Oil	25½	8	86	10	175¾	40½	156⅛	127	147¾	..
Hudson Motor Car	..	..	..	..	139½	19½	99⅞	75	93⅛	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	61	29	56	‡1.40
Inland Steel	..	..	..	..	62⅜	31⅛	63	46	50⅝	‡2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	21⅝	18	19¾	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	147¾	114	126¼	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	55⅞	45¼	50	2
Inter. Harvester	..	..	121	104	255⅝	66¾	257⅞	224¾	253¾	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	3½	5⅜	3¾	4	..
Do Pfd.	27⅝	12½	125⅝	8	128⅛	18½	44⅝	34¼	38¼	..
Inter. Nickel	*227¼	*135	57½	24½	89½	24¼	99¾	73⅝	93⅛	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	78½	67⅛	75¼	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27⅜	15	25	..
Do 8% Pfd.	..	..	101	72	110	33	84	55¼	†70	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	87⅜	80⅛	84⅛	5
Kinney (G. R.) Co.	..	..	..	..	103	19¾	52	38½	41	..
Lima Locomotive	..	..	..	..	76⅜	49	65¼	53	†56	4
Loew's Inc.	..	..	..	..	63⅞	10	70½	57	68	3
Loft, Inc.	..	..	..	..	28	5	7¾	5¾	6	..
Lorillard (P.) Co.	*215¼	*150	*239⅞	*144½	*245	23½	44	35⅞	41¾	..
Mack Trucks	..	..	..	..	242	25½	107⅞	90⅝	97⅛	6
Magma Copper	..	..	..	..	58¾	26⅛	56⅛	43¾	49⅝	..
Mallinson & Co.	..	..	..	..	45	8	27¼	16	26	..
Maracaibo Oil Explor.	..	..	..	..	37½	12	18⅛	12½	16	..
Marland Oil	..	..	..	..	63⅜	12⅛	38½	33	38⅛	..
May Department Stores	*88	*65	*97½	*35	*174¾	*60	85⅝	78	79⅝	4
Mexican Seaboard Oil	..	..	..	..	34½	3	11⅞	4⅝	10½	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	19⅛	17¾	18⅝	1½
Montgomery Ward	..	..	..	..	123⅛	12	153⅛	117	151⅝	‡4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	182	162¼	169	‡6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	74¼	64½	72½	3

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In the Market Letter this Week

Observations on

Marland Oil Company

White Sewing Machine Corporation

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ASK FOR 331-4

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale 3/28/28	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
National Enam. & Stamp	30¼	9	54½	9	89½	18⅛	30⅝	23¼	25½	..
National Lead	91	42½	74⅝	44	*202¾	63⅛	136	123	129½	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50½	42½	45¾	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64¼	52	59⅞	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	58⅝	64½	§10%
Do Pfd.	..	..	..	..	55	31⅞	55	53¼	53⅜	3
Packard Motor Car	..	..	..	..	62	9⅞	70¼	56¼	68½	3
Pan.-Am. Pet. & Trans.	.	..	70¾	35	140¼	38⅛	46⅜	38¼	45	..
Do Class B.	..	..	..	..	111¾	34⅛	46¾	37¾	45¼	..
Paramount-Fam. Players Lasky	..	..	..	..	127½	40	121¾	111¼	116⅜	8
Philadelphia Co.	59	37	48⅝	21½	153⅛	26⅛	163	145	†145	‡4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39¾	28¼	30½	..
Phillips Petroleum	..	..	..	..	69⅝	16	43½	35¼	41½	1½
Pierce-Arrow	..	..	65	25	99	6⅛	15⅝	10½	13	..
Do Pfd.	..	..	109	88	127¼	13⅛	53½	39⅞	45	..
Pittsburgh Coal	*29⅝	*10	58⅝	37½	74⅝	29	53½	41¼	45¼	..
Postum Co.	..	..	..	..	*134	*47	129⅝	118	123¾	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	26⅞	22	†22½	..
Do Pfd.	112	88½	109⅛	69	106	67	88	80	†82	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	48⅜	41½	48	2
Pullman Company	200	149	177	106½	199½	*87¼	88½	79½	85⅜	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅞	28⅛	32⅞	..
Pure Oil	..	..	148⅞	81⅞	61⅞	16¼	27½	19	22⅛	.50
Radio Corp. of America	..	..	..	..	101	25⅞	174¾	85¼	167½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	69¾	56	60½	4
Do Pfd.	111¼	64½	112⅝	72	106¾	74	112	105	†107	7
Royal Dutch N. Y.	..	..	86	56	123⅝	40⅝	48¾	44⅝	46	1.343
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	75⅝	60⅝	72⅜	4
Schulte Retail Stores	..	..	..	..	*134⅞	47	54	49⅞	52½	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	110⅛	82⅛	102¾	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	43⅜	39⅜	†42⅝	.97
Shell Union Oil	..	..	..	..	31¾	12⅛	26⅞	23¼	25⅛	1.40
Simmons Company	..	..	..	..	64¾	22	66⅞	58⅛	64¾	2
Simms Petroleum	..	..	..	..	28⅛	6⅛	24¾	18⅛	23⅛	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	29⅝	17⅝	28⅛	..
Skelly Oil	..	..	..	..	37⅛	8⅝	28¼	25	28¼	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	148⅛	32⅛	134	116½	131	6
Standard Oil of Calif.	..	..	..	..	*135	47⅛	56⅝	53	55⅝	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	40⅞	47¾	40¾	‡1
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	93⅛	77¼	91⅞	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	57⅞	44	55	2
Studebaker Company	49½	15¾	195	20	*151	30½	69½	57	65½	5
Do Pfd.	98⅛	64½	119¼	70	125	76	126½	121½	†124⅛	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	11⅛	10½	11	.50
Texas Company	144	74½	243	112	58	29	55⅜	50	52⅞	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	80⅝	68⅛	75¾	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	17	12⅛	13	..
Tide Water Oil	..	..	225	165	*195	5⅛	22¼	19⅝	22	.80
Timken Roller Bearing	..	..	..	..	142⅛	28½	134	112⅝	121¼	‡4
Tobacco Products	145	100	82¾	25	117⅝	45	114⅞	102⅛	113⅛	7
Do Class A	..	..	..	..	123⅞	76	128	113	122	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅛	7⅛	8⅝	..
Union Oil of Calif.	..	..	..	..	58⅝	33	51	42¾	47¼	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	34⅝	30⅝	30¾	.80
United Drug	..	..	90⅞	64	200½	46¼	210	190	203	9
United Fruit	208½	126½	175	105	*294	95¾	143½	136	139½	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	269½	190⅛	248¾	10
Do Pfd.	84	40	67½	30	125	38	137	115	†125	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	122¼	102¾	114¾	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	68¾	61¼	67⅛	4
U. S. Rubber	59½	27	80½	44	143¾	22½	63¼	40	46½	..
Do 1st Pfd.	123½	98	115½	91	119½	66½	109⅝	82½	89	8
U. S. Smelt., Ref. & M'n.	59	30⅝	81½	20	78¼	18⅜	45½	39½	42⅞	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	152¾	137⅜	148⅛	7
Do Pfd.	131	102½	123	109	141¼	104	145¾	138⅝	145⅛	7
Utah Copper	67½	38	130	48½	162	41⅛	158	139	†145	6
Vanadium Corp.	..	..	..	..	97	19⅛	96	60	87¾	4
Western Union	86¼	56	105½	53⅝	176	76	177½	164	163½	8
Westinghouse Air Brake	141	132½	143	95	*198	40	57⅝	46⅛	52¼	2
Westinghouse E. & M.	45	24¾	74⅞	33	94¾	38⅞	105½	88⅛	101⅝	4
White Eagle Oil	..	..	..	..	34	20	24¼	20⅛	21½	1
White Motors	..	..	60	30	104½	29¼	41⅜	30¼	35	1
Willys-Overland	*75	*50	*325	15	40¼	4½	27½	17¾	27½	..
Do Pfd.	..	..	100	69	123⅞	23	99⅞	92¾	99	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	16	11½	13⅜	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	194	175½	186	5
Worthington Pump	..	..	69	23½	117	19	34½	28	29⅛	..
Do Pfd. A	..	..	100	85⅞	98½	44	55	46¼	†49	..
Do Pfd. B	..	..	78⅜	50	81	37	49½	41	†44¼	..
Youngstown Sh. & Tube	..	..	..	..	100½	59¾	106⅞	85¼	88⅜	5

† Bid price. ‡ Not including extras. § In stock. * Old stock.

Stocks

:: ::

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Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Annual Rate		Amount Declared		Stock of Record	Date Payable
7%	Abraham & Straus pf.	1¾%	Q	4-15	5-1
$2.00	Amerada	$0.50	Q	4-16	4-30
$2.48	Assoc. Dry Gds. com.	$0.62	Q	4-14	5-1
$2.00	B'ld'g Heminway	$0.50	Q	4.20	5-1
$4.00	Bon Ami "A"	$1.00	Q	4-15	4-30
$3.00	Chic. Yellow Cab	$0.25	M	4-20	5-1
$3.50	City Stores "A"	$0.87½	Q	4-14	5-1
$2.50	Comm'alth Pow. com	$0.62½	Q	4-11	5-1
..	Comm'alth Pow. com.	$0.50	Ext	4-11	5-1
$6.00	Comm'alth pfd.	$1.50	Q	4-11	5-1
$6.50	Consol. Cigar pr. pf.	$1.62½	Q	4-16	5-1
$2.00	Eaton Axle & Spr. com.	$0.50	Q	4-15	5-1
$6.00	Crucible Steel com.	$1.50	Q	4-16	4-30
$4.00	Cudahy Pkg. com.	$1.00	Q	4-5	4-14
6%	Cudahy Pkg 6% pf.	3%	SA	4-21	5-1
7%	Cudahy Pkg 7% pf.	3½%	SA	4-21	5-1
$12	Edison Electric Ill.	$3.00	Q	4-10	5-1
$2.40	The Fair com.	$0.20	M	4-20	5-1
7%	The Fair pf.	1¾%	Q	4-20	5-1
$7.00	Fisk Rubber pf.	$17.5	Q	4-16	45-1
$7.00	Fisk Rub. conv. 1st pf.	$1.75	Q	4-16	5-1
$4.00	Freeport Texas	$1.00	Q	4-14	5-1
..	Freeport Texas	$0.75	Ext	4-14	5-1
$4.00	General Cigar com.	$1.00	Q	4-16	5-1
$6.00	Gen. Motors 6% deb.	$1.50	Q	4-7	5-1
$6.00	Gen. Motors 6% pf.	$1.50	Q	4-7	5-1
$7.00	Gen. Motors 7% pf.	$1.75	Q	4-7	5-1
$7.00	Gimbel Bros. pf.	$1.75	Q	4-14	5-1
$3.00	Gold Dust com.	$0.75	Q	4-17	5-1
$7.00	Gotham Sk Hosiery pf	$1.75	Q	4-16	5-1
$7.00	Kelsey Hayes Wheel.	$1.75	Q	4-20	5-1
$3.00	Liquid Carbonic	$0.90	Q	4-20	5-1
$1.60	Loose-Wiles B. com.	$0.40	Q	4-18	5-1
$7.00	Loose-Wiles B. 2nd pf.	$1.75	Q	4-18	5-1
$3.00	N. Y. Air Brake com.	$0.75	Q	4-10	5-1
$3.00	Packard Motor	$0.25	M	4-14	4-30
$5.00	Pere Marquette pr. pf.	$1.25	Q	4-13	5-1
$5.00	Pere Marquette pf.	$1.25	Q	4-13	5-1
8%	Phila Rapid Tran. com	2%	Q	4-16	4-30
$6.00	St. Louis-San Fran pf.	$1.50	Q	4-7	5-1
$5.00	U. S. Ind Alcohol com.	$1.25	Q	4-16	5-1
$7.00	Univ. Pipe & Rad pf.	$1.75	Q	4-16	5-1
$4.00	Vick Chemical	$1.00	Q	4-16	5-1
7%	Vulcan Detinning pfd.	1¾%	Q	4-12	4-20
7%	Vul. Detin'g pf "A".	1¾%	Q	4-12	4-20
$7.00	Weber & Heilbroner pf.	$1.75	Q	4-16	5-1

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The Bassick Co.
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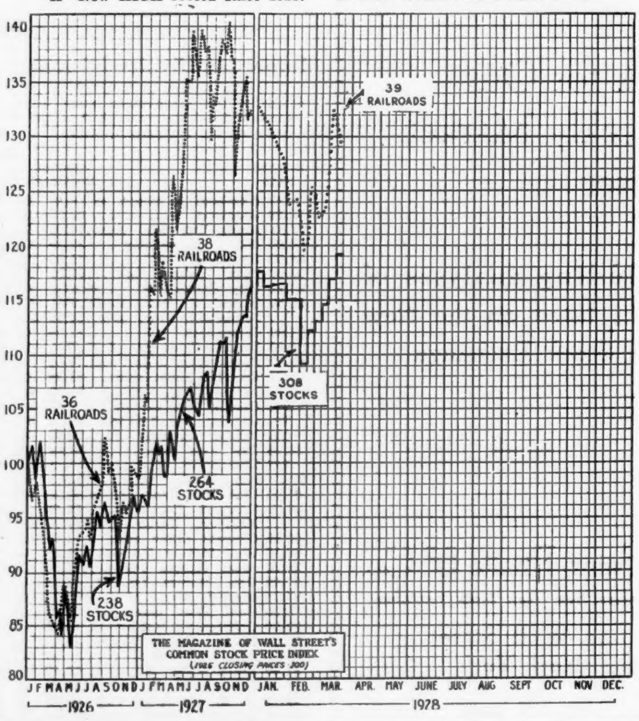
THE MAGAZINE OF WALL STREET'S

COMMON STOCK PRICE INDEX

(1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues) High	Low	Recent Indexes Mar. 17	Mar. 24	1927 Indexes (264 Issues) Close	High	Low
308	COMBINED AVERAGE	119.1	109.2	117.0	119.1H	116.3	116.3	95.7
39	Railroads	132.8	119.5	132.5	129.5	132.0	140.2	98.5
2	Agricultural Implements	322.5	280.5	301.8	322.5	300.0	(Begun	1928)
2	Alcohol	177.6	147.7	165.5	157.6	172.1	175.3	82.1
12	Automobile Accessories	102.0	86.4	94.2	102.0h	91.6	96.8	75.6
17	Automobiles	94.5	79.0	90.2	94.5h	89.8	89.8	70.1
2	Baking (1925 Cl.—100)	76.1	59.1	60.5	59.1	69.4	100.6	53.0
2	Biscuit	194.5	180.2	187.0	183.3	187.0	(Begun	1928)
4	Business Machines	171.2	153.7	170.6	167.4	159.1	160.2	108.5
2	Cans	137.3	117.2	136.6	137.3H	119.9	119.9	77.3
4	Chemicals & Dyes	170.9	158.5	169.1	170.9h	166.1	168.9	132.0
2	Coal	108.0	88.1	90.1	90.1	108.0	(Begun	1928)
12	Construction & Bldg. Material	104.8	94.4	102.4	104.8H	99.5	101.3	78.9
12	Copper	177.6	159.8	166.0	169.5	177.8	179.5	105.9
2	Dairy Products	85.0	68.1	76.5	85.0h	70.4	80.0	59.8
3	Department Stores	68.0	62.9	64.2	66.8	68.0	86.0	64.5
7	Drugs & Toilet Articles	167.1	157.2	165.0	163.8	162.0	171.2	147.3
5	Electric Apparatus	131.8	125.6	127.6	131.8H	129.6	129.6	97.6
3	Fertilizers	87.6	78.4	78.4	78.4	84.0	85.7	47.8
2	Five & Ten Cent Stores	106.8	98.0	104.2	103.5	106.8	111.5	69.6
3	Furniture	131.5	119.5	126.3	127.4	127.4	127.4	89.1
5	Household Appliances	99.9	91.6	98.1	99.9	97.0	(Begun	1928)
2	Mail Order	168.9	147.9	162.7	168.9H	149.3	152.3	82.8
4	Marine	79.6	66.8	78.1	77.9	74.9	113.4	69.5
5	Motion Pictures	106.4	98.3	102.4	106.4	102.9	120.3	96.3
36	Petroleum & Natural Gas	99.5	86.1	91.9	94.7	95.6	103.5	86.9
17	Public Utilities	145.4	127.9	143.7	145.4H	129.5	132.5	93.1
10	Railroad Equipment	128.9	119.6	125.2	126.7	128.9	128.9	100.3
2	Restaurants	105.5	90.0	94.6	93.1	104.0	(Begun	1928)
2	Shoe & Leather	163.4	138.5	152.1	163.4H	138.3	152.3	69.8
2	Soft Drinks (1925 Cl.—100)	172.0	152.9	168.9	172.0	152.9	(Begun	1928)
11	Steel & Iron	92.5	86.3	90.0	91.5	88.7	92.0	74.8
6	Sugar	89.5	73.0	80.4	79.6	89.5	112.7	76.9
2	Sulphur	386.9	293.1	343.6	349.3	381.7	381.7	166.1
2	Telephone	129.3	120.8	129.3H	128.5	123.8	127.1	104.6
4	Textiles	93.5	79.0	92.6	92.6	79.0	106.5	71.9
7	Tire & Rubber	99.6	78.3	78.3	81.2	96.6	97.8	64.4
8	Tobacco	190.3	171.3	181.5	181.1	190.3	193.6	159.9
4	Traction	118.9	103.8	118.9	116.0	107.6	130.0	107.6
42	Unclassified (1927 Cl.—100)	109.5	98.2	105.9	109.5	100.0	(Begun	1928)

H—New HIGH record since 1925. h—New HIGH record since 1926.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1928 *Index includes 308 issues, distributed among* 38 *leading industries, and covers about* 90% *of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)*

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(*Continued from page* 1056)

hensive telegraph system throughout the United States; with facilitates for business in Canada and Mexico; a cable system across the Atlantic and Pacific and to South America with connections to important European and Asiatic cities; telephone systems in Mexico, West Indies, South America and Spain; a supplementary radio service; and a manufacturing and selling organization distributing electrical equipment throughout the world. Earnings of International Tel. & Tel. last year in reflection of several important acquisitions were more than double those in 1926 and $11.07 per share was earned on 1,301,944 shares of stock outstanding as compared with $12.13 on 585,983 shares outstanding Dec. 31, 1926. The company holds forth definite promise and shareholders in position to employ patience should be amply rewarded. Transitory market movements might well be disregarded in favor of excellent long pull prospects.

AMERICAN BROWN BOVERI

I purchased 50 shares of American Brown Boveri last year at 35 and have held it in spite of the break. Do you think I am justified to hold it for the long pull? I have plenty of patience.—T. L. S., Port Jervis, N. Y.

The American Brown Boveri Electric Corp. in its present form, dates its existence only from 1925, in which year the company was organized to take over the plants of the New York Shipbuilding Co. together with several small companies engaged in the manufacture of electrical equipment. The entry of the company into the latter field has not been attended by any marked degree of success which, however, is not surprising in view of its rather limited physical and financial resources and the exceedingly keen competition offered by such well entrenched companies as General Electric and Westinghouse. A mediocre showing in 1926, resulting in earnings equal to only $7.70 per share on the preferred stock, was followed by a deficit equivalent to $5.50 per share of preferred in the first half of 1927, and dividends were passed on both the preferred and participating preferred issues. However, the effectiveness of a thorough housecleaning of personnel and operating methods was indicated in earnings for the last six months and the final deficit before taxes totaled only $707. Several substantial orders have been received from the Government and others may be forthcoming but in view of the company's restricted activities in the field of electrical equipment manufacture, no accurate estimate can be made as to future prospects. Frankly, we regard the common stock as an unattractive speculation, offering little incentive to retain at this time. Market price recovery will be wholly contingent upon the ability of the company to strengthen its trade and financial position, as well as develop a more substantial volume of earnings and the possibilities along those lines remain a part of the distant future.

GREAT NORTHERN RAILWAY

You have given me such excellent advice in the past that I am again troubling you. I have been advised to purchase Great Northern preferred. I am not interested in speculative profits. What is the outlook for the company as to earnings and dividends?—W. T. K., Baltimore, Md.

In our opinion, investors seeking a sound income-producing medium offering a fair yield and prospects for gradual enhancement in value over a reasonable period of time, would do well to give favorable consideration to Great Northern Ry. preferred stock. The road controls, jointly with the Northern Pacific, the Chicago Burlington & Quincy R. R. which in turn controls the Colorado & Southern R. R. and application for the merger of these four properties is presently in the hands of the Interstate Commerce Commission. The road originates over 85% of its total freight traffic of which slightly over 60% is represented by mine products. Capitalization is well balanced and of the total 57% is in the form of funded debt. The shares have sacrificed a portion of their former investment merit in recent years, due to various adverse factors, including Panama Canal competition, low freight rates, depressed agricultural conditions and the slow expansion and development of the territory served, which in turn have tended to restrict earnings. Earnings, however, have been sufficient to cover the $5 dividend by a fair margin and in 1927 were equal to $9.23 per share, comparing favorably with $10.42 in 1926 and $8.61 in 1925. The road has a profitable source of "other income" through its investment in the C. B. & Q. and could pay $6 per year in dividends. Action in that connection, however, is likely to be deferred pending the outcome of the proposed consolidation. The normal development of the territory served and the possibility of more favorable rates in the future are factors which lend a degree of strength to the long pull merits of the shares, which together with a reported equity value in excess of $200 per share completes what we consider as a wholly constructive picture.

BROWN SHOE

I have been a stockholder in Brown Shoe Co. for several years, my present holdings averaging me about 32. What are the dividend prospects for the stock? Its narrow range this year has made me feel that the stock has exhausted its market possibilities for a time. Do you agree with me? I am willing to hold if there is no likelihood of a substantial setback.—P. R. T., Los Angeles, Calif.

The report of the Brown Shoe Co., the third largest manufacturer of shoes in the United States, for the fiscal period ending October 31, 1927, provided satisfactory reading for shareholders. Sales increased 5% and net income was 43% greater than in 1926. The common stock earned $6.25 per share as contrasted with $4 the previous year. On that basis it is evident that present dividends were accorded a good margin of safety. Financial position was improved, the conservative dividend policy has permitted a substantial reduction in bank loans and the current position of the company is unquestionably sound. A large working capital is needed but it would now appear that requirements can be financed without the necessity of making large bank borrowings. Shareholders would, therefore, seem justified in anticipating a more liberal dividend. Such possibility, however, is tempered to some extent by the outlook at this time. Leather has risen sharply in price during the recent past and manufacturers are now faced with the necessity of making inventory commitments at prices well above the cost of leather represented by current outputs. This foreshadows lower profit margins which, however, may be offset by increased prices in the event that sales are not materially restricted by such advances. The company produces a portion of its leather requirements which is a point in its favor, but on the basis of the present outlook, we are not inclined to look for any marked improvement in earnings over those reported last year. We see no reason, however, for discouraging retention of present holdings provided, of course, that the failure of the shares to show much gain in market value during the near future is not, in your case, a detrimental factor.

INSURANCE DEPARTMENT

(*Continued from page* 1052)

come would increase after five years,—this is a contract which could be easily arranged. To arrive at the figures would, however, require special calculations, and to be advised at what age the annuity is to be purchased. We cannot enter into the question in detail unless more exact details are submitted regarding the age of annuitant, amount of income provided during the first five years, and the amount of increased annuity to be provided thereafter for life. We prefer not to request such special calculations from companies unless the interest in the subject is more than tentative; but if you are definitely interested we shall be glad to obtain a quotation.

The expectation of life varies according to the table user and of course differs in the case of men and women. For life insurance purposes the legal standard of valuation stipulates for the use of the American Experience Table formed more than seventy years ago. The most recent table formed from life insurance experience is called the American Men Table published about ten years ago. The expectations of life by these two tables for representative ages are as follows:

Expectation of Life—(male)

Age	Amer. Experience 1850	American Men 1915
40	28.2 yrs.	29.3 yrs.
50	20.9	21.3
60	14.7	14.3
70	8.5	8.8
80	4.4	5.0

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Best & Company	56½	64½	8
Southern Dairies A	26½	31	4½

The first two stocks were carried in the "Unusual Opportunities in Securities" section of the Forecast. One recommendation a week is made in this department.

The two other stocks were carried in the "Trading" section. Stocks in this department are held about six weeks on an average—some two days, others two, even three, months—depending on the movement of the stock and the market.

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DOES OUR PROSPERITY DEPEND UPON "PREPAREDNESS"?

For the Affirmative

(*Continued from page* 1020)

owing us by various European governments. Including these political obligations, and assuming that France will eventually sign on the dotted line of the Mellon-Berenger agreement, the balance standing to the credit of the United States overseas is in the neighborhood of 25 billions. Nothing in the annals of financial time approximates these fabulous figures. They are the external evidence of America's boundless prosperity. At the rate at which foreign capital issues are now being floated and absorbed in this country, American money is going abroad probably to the extent of 1½ billions of dollars a year. Authoritative estimates indicate that the total will soon be 2 billions. Our steadily growing exports of raw materials and manufactures aggregate about 4 billions, and are second only to those of Great Britain by a narrow margin. Imports are correspondingly on the up-grade.

The foreign trade of the United States has assumed a volume that enhances the country's economic importance in full keeping with the "stake" represented by obligations owing to the Federal Treasury and to private American investors. Economists express the view that, with a continuance of this international fiscal trend in America's favor, this vast creditor nation of ours will, sooner or later, be dependent upon the outside world for a considerable portion of its national income. Already American income from sources beyond our shores is put at a round billion a year—another aspect of our "stake" abroad.

Congress, as these lines are written, is in the throes of a thoroughgoing discussion of the American merchant marine problem. Debate ranges around the question of whether our mercantile interests on the high seas and the trade routes of the world can be best served by a government-owned and government-operated carrier fleet, or by a fleet owned and maintained by private enterprise. But whichever side of an eternal difference of opinion prevails, the Stars and Stripes will remain in the sea lanes of the globe. With their continued presence there as a necessary adjunct of our foreign commerce, the need for protection will persist. The greater the commerce becomes, the more extensive, necessarily, will be the protective system we shall have to throw around it. That means a navy and it means, in particular, cruisers. It means the very issue now the bone of contention in Congress between the proponents of National Defense and the advocates of National Unpreparedness.

So much for the protection manifestly required for the defense of our purely physical "stake" abroad. But there is a psychological aspect perhaps of even graver importance. The writer refers to the world's opinion of us, and the world's general state of mind toward us—to that attitude which is commonly expressed by representing Uncle Sam as a Shylock bent upon extracting his pound of flesh from the body of an impoverished universe. It is only unconquerable American optimists, with Pollyanna mental processes, who delude themselves, on Coue lines, into believing that America is beloved in foreign parts. I think we are respected. But I am not so sure that we are liked. Oratorical bouquets may come our way on post-prandial occasions in London, Paris, Berlin and Rome, and even in the diplomatic exchanges in which the Department of State periodically indulges with great and good friends in distant corners of the world. But a nation with a mortgage of billions on its sister nations, and which has pledged them to pay us rich tribute in gold for more than two generations to come, can hardly expect to be popular. These are imponderables which American statesmen worthy of the name cannot leave out of account. They are left out of account too often by a people prone to confine its international thinking to the 12-mile limit.

There is yet another consideration in this connection. We refrain, for reasons held by us to be sound, from allegiance to the League of Nations. The present powers-that-be at Washington, speaking through President Coolidge, have decreed that while the League of Nations of which the United tion for European purposes, it has no charm or value for us. Few, I take it, will dispute the contention that a League of Nations, of which the United States was a full working member would be invincible as a preserver of universal peace. The converse of that situation is that without American adhesion, the League can never become an absolute guarantor of a warless world. As far as our own country is concerned, it is no less obvious that we must remain the exclusive arbiters of our international destinies. If we choose not to be one of the beneficiaries of Article X of the League covenant, whereby the united "sanctions" of the Geneva "super-state" would be invoked against an aggressor, in case of necessity, even for our assistance and defense, then Uncle Sam must make up his mind to paddle his own canoe. That is exactly what the United States Senate in 1919 decided we were going to do, when it refused to ratify the Treaty of Versailles. It is the inescapable alternative. But having determined to row down the international stream alone, we automatically undertake certain self-evident responsibilities. To ignore them is to invite national disaster.

Five years after the United States turned its back on the League of Nations, Congress took another step of far-reaching international magnitude, and one bearing, if possible, even more directly upon our National Defense problem. It enacted the Immigration Law of 1924, which, with its provision for exclusion of Japanese immigrants, seared a deep scar across the national pride of one of the world's proudest, strongest and most military peoples.

Every time a new session of the Japanese Diet is opened at Tokio, the prime minister of Japan refers to the American immigration law. He declares, in effect, that, as far as Japan is concerned, it remains an open wound. He does not threaten the United States with war. But he plainly intimates that Japan some day expects a revision of a condition that is eternally intolerable to her racial sensibilities. Plainly with Pacific and Far Eastern contingencies in mind, our naval authorities determined to maintain the bulk of the United States fleet on the west coast.

The considerations hereinbefore dealt with make timely and pertinent some concluding reflections in connection with the Naval Bill now undergoing final discussion in Congress. At the end of 1927 President Coolidge and Secretary Wilbur recommended a building program calling for 71 ships and an expenditure of roundly $740,000,000. The program had the endorsement of the Navy General Board and of the Cabinet. It was the inevitable result, from the American standpoint, of the failure of the Geneva conference in 1927, assembled at the United States' instigation, to arrive at an agreement for limitation of auxiliary naval craft, especially cruisers and submarines. It was also the logical expression of this country's purpose to establish that full parity of strength with Great Britain, allotted us under the 5-5-3 ratio fixed by the Washington Treaty of 1922.

No sooner had the Coolidge Administration disclosed the new building program than organized pacifism cleared for action throughout the Union on a scale of intensity hitherto unwitnessed. The anti-preparedness elements let down upon Congress and the White House during the months of January and February a barrage of pleas and protests of a volume beyond all comparison in the experience of the oldest hands on Capitol Hill. They consisted of letters, telegrams and petitions from "back home," which literally rained in—all, of course, instigated propaganda reeking with wild charges and hollow fears. The effect was tragic and magic. When the naval bill first came to the House naval affairs committee, the body in which initial action must be taken, there is reason to believe that the committee stood roundly 20 to 1 in favor of the Administration's program for constructing 25 cruisers, 32 submarines, 9 destroyer-leaders and 5 airplane-carriers. After six or seven weeks of pacifist hammering the House naval affairs committee executed an amazing about-face. Early in March the committee astonished the country by announcing that it was not prepared to recommend to the House a program calling for more than 16 ships, instead of the 71 demanded by the Administration, and providing for

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an expenditure of $274,000,000, in lieu of the $740,000,000 originally projected. The committee submitted its recommendation with unmistakable reluctance and equally indubitable disbelief in its soundness; for an accompanying statement pointed out that a 16-ship program would leave the United States in a "secondary naval position" and would not approximately provide that national "security at sea" which the nation's responsible naval advisers hold to be necessary.

Meantime the House has passed the emaciated measure recommended by the naval committee. It is now for the Senate to determine whether the curtailed building program shall stand, or be revised upwards on lines more commensurate with the United States' actual necessities as a first-class naval power. If the 16-ship program is not amended, we shall have experienced, not for the first time, a startling exhibition of the ability of an organized minority to foist upon the government vital policies demonstrably inimical to national welfare. Americans are not pacifists at heart, but in piping times of peace, with the danger of war not visible to the naked eye, we have an ungovernable penchant for imagining that all is for the best in the best of all possible worlds. Inadequate national defense is the surest guarantee of a rude awakening from complacency of that deceptive brand.

UNION PACIFIC RAILROAD CO.

(Continued from page 1035)

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pany was charged with being a combination in restraint of trade and its dissolution was ordered. In 1904, the courts enjoined the company from voting its holdings or any receiving dividends from the Great Northern and Northern Pacific stocks. Union Pacific subsequently disposed of its interest in the Northern Securities Company at a substantial profit, some of which was used to purchase $10,343,100 of Chicago & Alton preferred stock. These shares, together with $8,417,000 6% General Mortgage Bonds of Alton were written out of the investment account in 1922. It explains the reduction of the reserve for depreciation of securities from $50,000,000 set aside in 1913 to $34,740,468. The disposition of the Southern Pacific holdings was also ordered by the courts.

Of the $88,357,600 par value of this stock held in the treasury, $38,292,400 was exchanged for $21,273,600 common and the same amount of preferred of the Baltimore & Ohio Railroad. The latter issues were held by the Pennsylvania Railroad, which was also ordered to divest itself of the latter. The balance was underwritten and offered to stockholders of Union Pacific at $92 per share, with the understanding that they were to dispose of their Union Pacific stock if they chose to retain the issue to which they subscribed. Holders of the parent company's shares also received a distribution in the form of $3 in cash, $12 par value of Baltimore & Ohio preferred stock and $22.50 par value common. In recent years, no changes of Union Pacific's stock holdings have occurred. The latter consist of the New York Central, Baltimore & Ohio, common and preferred, Chicago & North Western and Illinois Central, common and preferred stocks.

The capitalization of Union Pacific consists of $412,770,925 bonds, $99,543,500 4% non-cumulative preferred stock and $222,293,100 of common stock. Funded debt comprised 56.2% of the total securities outstanding at the close of 1926. The balance, 43.8%, represented stock. After deducting $22,988,000 of equipment trust obligations, bonded debt was outstanding at the rate of $40,250 per mile. Due to its strong credit, Union Pacific is well situated with regard to maturing obligations. Of the $91,979,000 bonds, including all the equipment trusts, falling due within the next ten years, $65,000,000 mature in less than two years. The largest item is an issue of $45,000,000 Oregon Short Line Consolidated 4's which fall due December 1, 1929. The earlier maturity $20,000,000 Gold 6's are due July 1st of the current year. The disposition of both of these obligations should not present any difficulty and Union Pacific may be in a stronger position when these obligations are refunded. Both are secured by collateral, having a market value in excess of $100,000,000. The securities pledged may become free assets within the next two years.

Including the dividend requirements on the preferred shares, the charges ahead of the junior equity are outstanding at the rate of 4.33%, a fairly low figure. The latter together with the fact that income from investments is almost sufficient to take care of the interest requirements on the company's funded debt, lend great stability to the

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earnings on the common stock. Dividends on the preferred issue have been paid regularly since 1900 and have been earned by a substantial margin in recent years. Dividends on the junior equity have been paid without interruption since 1900 and the present rate of $10 per share annually has been in force since 1907. From June, 1914, to January, 1918, $8 per share was paid annually. The latter rate did not represent any reduction since the annual return available as a result of the Baltimore & Ohio distribution, afforded the necessary adjustment. The annual cash return from the latter was equivalent to approximately $2 per share annually.

Very high equities are back of the common stock, the latter having a book value of $221. Surplus as of December 31, 1926, totaled $269,643,206. Approximately $144,000,000 represents the market value of the free Union Pacific holdings, which is the equivalent of $64 per share. While no distribution of these has ever been considered, they constitute an element of considerable value since a considerable portion represents stocks whose value is increasing as time goes on. It is important to note that the income from investments averaged $7.60 per share annually in the past five years. Since 1922, earnings from railroad operations reflect an upward tendency. At current levels of approximately $194 per share, the common stock yields 5.2%, a satisfactory return when compared to most of the standard investment railroad shares, with no greater possibilities.

Considering the satisfactory outlook for the continued growth of its traffic, its high operating efficiency and its valuable investment holdings, it appears reasonable to anticipate some further upward revision in the price of these shares.

FULL EMPLOYMENT—PROSPERITY'S PROBLEM

(*Continued from page* 1027)

In several States, notably Wisconsin and Massachusetts, attempts have been made to secure compulsory unemployment insurance, with the burden of raising the necessary funds placed upon employers. In these cases the carrier of insurance would be, not the State, but a liability insurance company or mutual insurance company. Embodied in the bills is provision for agencies to study the employment experience of insured employers, the fixing and supervising of proper premiums, and the establishment of proper bonds and credits.

In England and Germany such systems have worked, after the creation of adequate machinery and sufficiently long experience in administering it. In the United States less than a million workmen are protected in any measure

through the private efforts to insure jobs. Leo Wolman, who has investigated the American experience, declares that here industry is "still unprepared to define its obligations toward the men and women who constitute its working force, and admit that hiring and firing involve profound social consequences." The worker who loses his job, he adds, is still "thrown upon as disorganized and anarchic a labor market as ever existed in this country." In Europe, on the other hand, where unemployment as an insurable risk is regarded as a national rather than individual responsibility, great systems of insurance are applied to many millions of workers. During the winter just closed compulsory unemployment insurance has been applied to eighteen million workmen in Germany, and in Great Britain twelve million are insured. In both countries the systems are based on the employment exchanges that have been built up by many years of experience.

It is profitless to discuss the details of these national unemployment insurance systems until we have our own system of employment agencies far enough advanced to determine the validity of cases of unemployment sufficient to qualify for insurance. We have made a start with the public employment exchanges of the United States Employment Service during the war and the disbandment of our four million men at its close. Many American cities have created municipal employment exchanges that can be linked up with the Federal system when the conscience of the industrial community is enough aroused to provide leadership.

It is a task primarily of management engineering. The steady displacement of workers by improved methods and machinery will inevitably force consideration of this problem and the application of vigorous measures. But the situation can always be dealt with most effectively by measures to prevent unemployment through regularization of seasonal employment, the development of new industries, and the stabilizing of the general price level by credit issues strategically placed, if possible, to secure the maximum of employment and business activity. Intelligent credit control of the underlying trends that favor steady production and increased "real" wages would pave the way to the best possible solution of the problem. It would be the way of prevention.

For Feature Articles to Appear In the Next Issue See Page 1013

United States Leather Co.

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Aeolian Weber	..	35
Aeolian Weber, pfd. (7B)	70	78
Alpha Port. Cement (3)	37	40
Pfd. (7)	116	...
American Book Co. (7)	150	154
American Cigar (8)	140	145
Pfd. (6)	100	...
Amer. Dist. Teleg. (4)	98	103
Con. Pfd. (7)	112	114½
Amer. Meter Co. (5)	118	124
Atlas Port. Cement (2P)	42	44
Pfd. (2.66)	43	...
Babcock & Wilcox (7)	117	120
Barnhart Bros. & Spindler:		
1st Pfd. (7) G.	106	109
2nd Pfd. (7) G.	105	108
Bliss (E. W.) Co. (1)	16¼	17¼
1st Pfd. (4)	58	65
Cl. B Pfd. (0.60)	10	11½
Bohack (H. C.) Co. (10)	265	275
1st Pfd. (7)	108	110
Central Aguirre (6)	138	140
Congoleum Co. Pfd. (7)	105½	...
Continental G. & E.	..	...
Prior Pfd. (7)	106	107
Dixon (Jos.) Crucible (8)	187	193
Fajardo Sugar (10)	158	160
Franklin Rwy. Sup. (4)	70	75
Giant Port. Cement	35	45
Pfd. (3.5)	40	45
Helme, Geo. W. (4)	112	115
Pfd. (7)	127	...
Hercules Powder (8)	220	230
Pfd. (7)	119	121
Knox Hat (5)	195	215
Pr. Pfd. (7)	104½	107
Lehigh Port. Cement (new)	...	...
Pfd. (7)	107	...
Leonard, Fitzpatrick, Mueller (1.5)	37	38
Pfd. (8)	130	140
Manhattan Rubber (2.5)	44	...
Metropolitan Chain Stores:		
1st Pfd. (7)	115	120
2nd Pfd. (7)	115	120
National Sugar Ref. (7)	137	139
Neisner Bros. Pfd. (7)	115	116
New Eng. Tel. & Tel. (8)	137	140
Phelps Dodge Corp'n (6)	121	125
Pierce, But. & Pierce (2)	15	19
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Remington Arms	15	17
1st Pfd. (7)	89	92
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Royal Baking Powder (8P)	240	250
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Ruberoid Co. (4)	107	110
Savannah Sugar (6)	124	127
Pfd. (7)	115	117
Shaffer Oil & Ref. Pfd. (7)	80	85
Sheffield Farms Pfd. (6)	104	...
Singer Mfg. Co. (10P)	450	460
Singer, Ltd. (¼)	6¼	7
Superheater Co. (6P)	164	169
Valley Mould & Iron	20	23
Pfd. (7)	86	90
Wash. Ry. & Elec. (5)	510	525
Pfd. (5)	103¼	104
White Rock 2nd Pfd. (10)	165	...
1st Pfd. (7)	102	...
Woodward Iron	80	85
Pfd. (6)	90	...

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P—Plus extras.

B—Also extras on account of arrears.

x—Ex-dividend.

IN spite of the speculative furor among listed stocks during the past three weeks, over-the-counter industrials generally moved in rather dignified fashion. Prices in the main were not greatly changed from the levels prevailing during the early part of the month. Possibly the boom in bank stocks, stimulated by merger developments and acquisition of control of the Bank of America by the Giannini interests diverted investment attention from the other groups. It is probable also that the public's attention has been too much focused upon the well advertised gyrations of listed securities, where the ease with which margin operations may be conducted is a strong inducement to activity, to give much heed to the market in over-the-counter issues where speculative influences are not so pronounced.

Babcock & Wilcox, American Book, American District Telegraph and Royal Baking Powder were among the issues available at somewhat lower quotations as the month drew to its close. Sugar stocks, on the other hand, improved their position in response to a somewhat more hopeful outlook for the industry. Phelps Dodge, which moved off from levels prevailing earlier in the month, still appears in an attractive position in view of the more favorable prospects for copper producers.

The company reported a net loss of 1.19 million dollars for 1927, after the usual liberal charges for depletion, against a net loss of $947,598 the year before. Like many other strong industrial units, however, Phelps Dodge materially improved its working capital position last year. At the close of December, cash, call loans and marketable securities totaled 10.81 million dollars compared with 7.74 millions at the end of 1926.

The investment strength of such issues as Singer Manufacturing, Washington Railway & Electric and Ruberoid Co. was reflected in further price appreciation of those stocks, all of them advancing into new high ground.

Remington Arms, to which attention has been directed in these columns on previous occasions, has shown the expected improvement in 1927 earnings. Gross sales were 19.73 million dollars compared with 18.05 millions in 1926 and net profits increased to $640,442 contrasted with $368,361, the last named figure being exclusive of 1.95 million dollars non-recurring income received on account of royalties in settlement of patent litigation during 1926. Although net earnings have not yet reached large enough proportions to leave a balance for the common stock after provision for dividends on the first and second preferred, the significance in the 1927 showing lies in the marked percentage improvement over that of the two preceding years and is suggestive of further progress in the management's program of rehabilitation.

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April 7-A

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THE American Telephone and Telegraph Company and its Associated Companies, comprising the Bell System, have $3,250,000,000 invested in telephone plant. More and more lines are being carried underground, but the Bell system still requires 15,000,000 poles in service. Today the telephone line is one of the most familiar sights along country roads. And yet there are over 38,000,000 miles of wire in underground cables of the Bell System.

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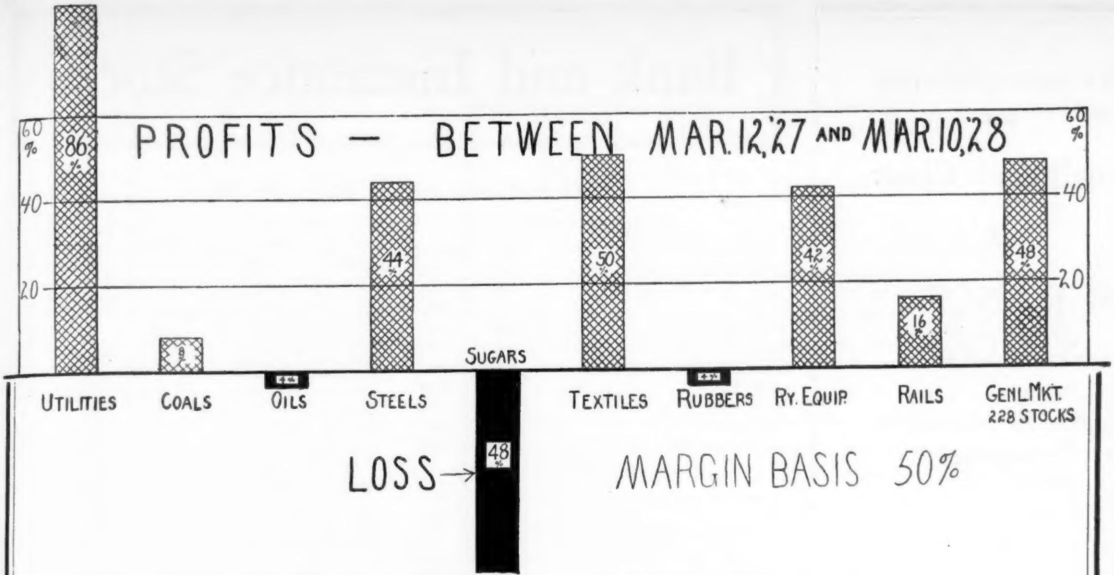
Important Corporation Meetings

	Specification	Date of Meeting
Missouri-Kansas-Texas R. R.	Annual	4-6
Radio Corp. of America	Directors	4-6
Advance-Rumely	Annual	4-9
Canadian Pacific Ry.	Directors	4-9
First National Pictures	Directors	4-9
Jewel Tea	Annual	4-9
National Dairy Products Corp.	Directors	4-9
Paramount Famous Lasky Corp.	Directors	4-9
American Linseed	Annual & Directors	4-10
Artloom Corp.	Pfd. Divd.	4-10
Best & Co.	Annual	4-10
Bloomingdale Bros.	Annual	4-10
Chicago & Alton R. R.	Annual	4-10
Chicago & Northwestern Ry.	Annual	4-10
O. Eisenlohr & Bros.	Postponed Annual	4-10
Erie R. R.	Annual	4-10
General American Tank Car	Annual	4-10
Gimbel Bros.	Annual & Directors	4-10
R. Hoe & Co.	Annual	4-10
R. H. Macy & Co.	Annual	4-10
National Biscuit	Directors	4-10
N. Y., N. H. & Hartford R. R.	Directors	4-10
N. Y., Ontario & Western Ry	Annual	4-10
Northern Pacific Ry.	Annual	4-10
Pacific Gas & Electric	Annual	4-10
Patino Mines & Enterprises	Annual	4-10
Penn.-Dixie Cement	Directors	4-10
Pennsylvania R. R.	Annual	4-10
Remington Typewriter	Directors	4-10
Tenn. Copper & Chemical	Directors	4-10
Union Bag & Paper	Annual	4-10
Van Raalte, Inc.	Directors	4-10
Western Union Telegraph	Directors	4-10
Westinghouse Air Brake	Annual	4-10
Willys-Overland	Directors	4-10
Air Reduction	Directors	4-11
Certain-teed Products	Annual	4-11
De Voe & Raynolds	Directors	4-11
Eastman Kodak	Directors	4-11
Gillette Safety Razor	Dividend	4-11
Hudson & Manhattan	Annual	4-11
National Cash Register	Annual	4-11
N. Y. Air Brake	Annual & Special	4-11
N. Y. Central R. R.	Directors	4-11
Republic Iron & Steel	Annual	4-11
Sinclair Consolidated Oil	Pf. Dvd.	4-11
Sloss-Sheffield	Annual	4-11
Union Tank Car	Annual	4-11
F. W. Woolworth Co.	Dividend	4-11
Burns Bros.	Annual	4-12
Calumet & Hecla	Annual	4-12
Norfolk & Western Ry.	Annual	4-12
Underwood Elliott Fisher	Directors	4-12
U. S. Realty & Improvement	Directors	4-12
V. Vivaudou, Inc.	Directors	4-12
Bayuk Cigars	Directors	4-13
Simms Petroleum	Directors	4-13
Barnet Leather	Directors	4-13
Brooklyn-Manhattan Transit	Directors	4-13
Brunswick-Balke-Collender	Annual	4-16
Burroughs Adding Machine	Annual	4-16
Canada Dry Ginger Ale	Directors	4-16
Crucible Steel of America	Directors	4-16
Cushman's Sons	Pfd. & Com. Divds.	4-16
duPont (E. I.) de Nemours	Directors	4-16
Goodyear Tire & Rubber	Directors	4-16
Gotham Silk Hosiery	Directors	4-16
Missouri-Kansas-Texas R. R.	Directors	4-16
Philadelphia Rapid Transit	Directors	4-16
U. S. Steel	Annual	4-16
American Locomotive	Annual	4-17
American Machine & Foundry	Annual	4-17
American Sumatra Tobacco	Pfd. Divd	4-17
Atlantic Coast Line R. R.	Annual	4-17
Bangor & Aroostook R. R.	Annual	4-17
Central Alloy Steel	Annual	4-17
Chesapeake & O. Ry.	Annual & Directors	4-17
Collins & Aikman	Pfd. & Com. Divds.	4-17
Kraft-Phenix Cheese	Directors	4-17
Madison Square Garden	Directors	4-17
National Biscuit	Pfd. & Com. Divd.	4-17
Paramount Famous Lasky	Annual	4-17
Phillips Petroleum	Annual	4-17
Pierce-Arrow Motor Car	Annual	4-17
Remington-Rand	Directors	4-17
Timken Roller Bearing	Annual	4-17
Union Carbide & Carbon	Annual	4-17
U. S. Rubber	Annual	4-17
Youngstown Sheet & Tube	Directors	4-17
American Tel. & Telegraph	Directors	4-18
Borden Co.	Annual	4-18
Butterick Co.	Annual & Directors	4-18
Crucible Steel of America	Annual	4-18
Dodge Bros.	Directors	4-18
Electric Storage Battery	Annual	4-18
Gold Dust	Directors	4-18
B. F. Goodrich	Annual & Directors	4-18
Ill. Central R. R.	Annual	4-18
Kelsey Hayes Wheel	Directors	4-18
Pacific Gas & Electric	(1st Pfd. Divd.)	4-18
Pullman Co.	Annual	4-18
Republic Iron & Steel	Directors	4-18
Vanadium Corp.	Dividend	4-18
Adams Express	Directors	4-19
Texas Gulf Sulphur	Directors	4-19
Gulf, Mobile & Northern R. R.	Directors	4-20
Radio Corp. of America	Directors	4-20



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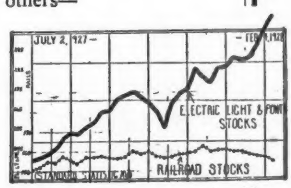
Sound security considered, these electric light and power issues have been the choicest stocks on the board.

¶ Market conditions are selective. Certain stocks are simply doing better than others—in the same market. See for instance—in diagram at right—during July to February how utilities forged ahead of rails. Note on diagram at top how electric light and power stocks show 38% more profits over the year than the general market average.



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Quotations as of Recent Date

NATIONAL BANKS

	Bid	Asked
Chase (18A)	566	573
Chatham & Phenix (16)	600	610
Chemical (24)	935	950
City (20A)	835	845
Commerce (18)	567	574
First (N. Y.) (100A)	3785	3800
Hanover (30)	1260	1280
Park (24)	655	663
Public (16)	618	625
Seaboard (16)	780	800

TRUST COMPANIES

	Bid	Asked
Amer. Ex-Irving Tr. (14)	412	418
Bankers (20)	1020	1040
Bank of N. Y. & Trust Co. (18)	690	705
Brooklyn (30)	1250	1350
Central Union (32)	1430	1445
Empire (16)	440	450
Equitable (12)	427	433
Farmers' L. & T. (16)	775	790
Guaranty (16)	648	655
Manufacturers (20)	790	800
New York (20)	700	811
United States (60)	2825	2925

STATE BANKS (NEW YORK)

	Bid	Asked
America (12) (V. T. C.)	730	745
Corn Exchange (20)	655	670
Manhattan Co. (8C)	600	610
State (16)	775	790
United States (12)	553	563

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (24)	840	850
Aetna Life (12)	855	870
*Fidelity-Phenix (4)	208	268
Continental new (2)	82	84
Glens Falls (1.60)	58	60
Globe & Rutgers (40)	2750	2850
Great American	54	57
Hanover (new)	77	82
Hartford Fire (20)	820	840
*Home (20)	615	630
*Carolina (1.40)	72	77
Milwaukee Mech. (1.80)	54	57
National Fire (25)	1090	1110
Niagara new	140	150
*North River (5)	290	300
*United States Fire (10.40)	375	385
Stuyvesant (6)	280	295
Travelers (24)	1720	1740
Westchester (2.50)	84	88

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety (11)	330	340
National Surety (10)	330	340
Lawyers Mortgage (14)	332	338
Mortgage Bond (8)	188	198

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	58	64
Dallas (8)	115	125
Des Moines	16	23
First Carolina (8)	80	90
Kansas City	..	2
Lincoln (6)	85	95
Southern Minnesota	20	24
Virginia	2½	3¼

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. (E) ex-Rights. *Members same group. ED ex-Dividend.

THE market for bank stocks continues active under the leadership of *Bowery & East River, Bank of America* and *Bancitaly* shares which have recently gone through violent gyrations under the stimulus of buying in connection with the consolidation of interests between Bank of America and Bancitaly interests. National City Bank, on the announcement of an increase of capitalization from $75,000,000 to $90,000,000 assumed a prominent place in the advance of bank stocks, making a sudden spurt of almost 100 points to a level of around 850. This capital change will give old shareholders the right to subscribe to the new capital shares at $400 a share on the basis of 1 share for 5 old shares, although further details have not as yet been announced. An increase in the annual dividend rate from $20 a share to $30 a share, commemorated the Twenty-Fifth Anniversary of the *Bankers Trust Company* and the shares started a celebration of their own, running up to around 1,090 but later reacting some seventy points. Most of the bank stocks have been quite strong in recent weeks and a large volume of transactions in this group of issues continues.

The relatively stronger position of the insurance stocks, as compared with the bank stocks, pointed out recently in these columns is rather strikingly illustrated in the statistical showing that one is now able to harvest from the companies statements. Leaving out the *National City Bank* and the *Chase*, whose relative positions are altered considerably through mergers, the ten leading New York banking institutions showed aggregate earnings of 74 million dollars in 1927, an increase of only 5.5% over the previous year. The average price increases of the shares of the institutions, of course, was very much greater; in some cases approaching 100% advances in values.

In the case of the ten leading insurance companies, earnings for 1927 ran in excess of 63 million dollars, as compared with earnings of only 30 million dollars in 1926, or in other words, representing an increase for the year of approximately 110%. A comparison of average price gains for the shares of these same companies, indicated a gain of about 75%. That the earnings of the ten leading insurance companies have gained proportionately more than the percentage of increases in market price of their shares, presents a rather convincing statistical confirmation of the opinion recorded by this department, that relatively more interesting investment opportunities are to be found in the insurance stock section of the list. That opinion now appears to be even more applicable to the present market than in the past.

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CUYAMEL FRUIT COMPANY

(*Continued from page* 1045)

past four years have been physical rather than financial. No matter how strong a company may be financially, its ultimate worth must be measured by earning power. The Cuyamel Fruit Company by its extensive irrigation project has effectively combatted the difficulties arising from drought which so often have interfered with the company's crops in the past. Last year's production and earnings testify to the efficacy of the work. In addition, its experience in irrigation has shown the company the wisdom of utilizing only its richest lands and only soils of such fertility as are likely to produce first-class bananas in paying quantities have been maintained under cultivation.

The progress of the Cuyamel Fruit Company's development program is best illustrated by figures. Acreage under cultivation for bananas has decreased from 33,810 at the end of 1925 to 26,641 at the end of last year. On the other hand, however, the number of acres of irrigated land has increased during these two years from approximately 5,000 to 13,000, with work rapidly progressing on 2,500 additional acres. Despite the smaller area under cultivation, the more intensive processes of farming served to increase the production of bananas from 8,282,893 stems in 1925 to 8,973,945 in 1927. Production costs were further lowered, as reflected in profits in the latter year not far from double those in the former year. The results of last year indicate the stabilizing effect which the irrigation systems may be expected to have on the company's earnings.

New Sources of Revenue

A new source of revenue came to the company's aid last year. For the first time since production and grinding of sugar cane was extensively undertaken, this division returned a profit. Substantial sums have been spent in recent years in extending the sugar lands of the company and in enlarging and improving its sugar mill. The increasing importance which this division is assuming may be judged from the production figures, showing a steady and sizeable growth. The management expects to produce and sell 50,000,000 lbs. in the current year which, if realized, will represent a 25% gain over 1927. Income from this source, while comparatively small to date, promises to grow as production increases and production costs are lowered.

The results of the Cuyamel Fruit Company's policies are reflected in the earnings trend. An examination of profits as reported quarterly shows that, due to the effect of the irrigation system, important gains in earnings were made in the first half of 1926 as compared with 1925. In the latter half

(*Please turn to page* 1082)

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New York Curb Market

IMPORTANT ISSUES

Quotations as of March 27

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Albert Pick Barth wi.†	11⅞	10	10
Aluminum Co. of Amer.	136	120	126¾
Aluminum pfd. (6)	109⅛	105⅛	109⅛
Amer. Cigar (8)	147	132	142
Amer. Cyanamid "B" (1.60)	50	39	39⅞
Amer. Cyanamid pfd. (6)	98⅞	95	96
Amer. Gas Elec. (1)‡	145	117⅛	137
Amer. Super Power A (1.2)†	42⅞	37	42⅛
Assoc. Gas Elec. "A" (2¼)	51⅛	47	48⅛
Celotex Co. (3)	68	49	62
Centrif. Pipe (0.60)*	12½	10½	10¾
Cities Service New (1.2)†	59⅝	54	59⅛
Cities Service Pfd. (6)†	100	94⅛	99
Cons. Gas of Balt. (3)	73¾	67½	70⅞
Consolidated Laundries (2)*	20¼	14¾	17⅞
Durant Motors†	12⅜	9⅛	10¾
Elect. Bond Share (1)†	95⅝	76	90½
Elect. Investors† (3.50 stk.)	48⅜	40⅛	46¾
Fajardo Sugar (10)	160	150½	159
Ford Motor of Canada (15)	605	510	574
General Baking (new)*	9	8	8
General Baking Pfd. (new)*	84⅛	78⅞	79⅛
Glen Alden Coal (10)†	169	151⅝	154⅝
Gulf Oil (1.5)†	117¼	101⅛	111
Happiness Candy Store (50)	7⅛	5½	6
Hecla Mining (1)	18	15¾	15¾
Hygrade Food Products	31¾	25⅛	29
International Utilities B	10⅛	6¾	8¼
Land Co. of Florida†	25	16	17
Lion Oil Refining (2.25)*	24⅜	20	23⅛
Lone Star Gas (2)	55⅞	52	55⅜
Metro Chain Store‡	63	54	58⅜
Mountain Producers (2.60)†	28⅞	25⅛	26⅛
National Fuel Gas (1)	28	24¾	25⅞
New Mex. & Arizona Land†	10	8⅛	8⅛
New Jersey Zinc (12)	199½	180¼	199½
Nipissing Mining (30c)*	5⅞	4¾	4¾
Northern Ohio Power†	27⅛	18	26¼
Pacific Steel Boiler (1)*	14¾	13	13⅛
Phelps Dodge (6)	129½	117	122½
Puget Sound P. & L.†	63½	34⅝	55¼
Salt Creek Producers (3)†	35	28⅛	31
So'east Pwr. & Lt. (new 1)	48	40⅝	46¼
So'east Pwr. & Lt. Pfd. (4)	92	84	92
Stutz Motors*	18⅞	14⅝	15⅜
Tobacco Products Export†	4⅝	3	3⅝
Trans Lux	4⅞	3¾	4⅝
Tubize Artif. Silk† (10)	610	460	602
Tung-Sol "A" (1.80)	21¾	19⅝	21⅛
United Electric Coal (3)	41⅞	26¼	38
United Gas & Improvem't (4)	121	111¼	120¼
U. S. Gypsum (1.60)	92	70	70⅛

STANDARD OIL STOCKS

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Continental Oil	28	16	17⅛
Humble Oil (1.6)†	68	59¼	63⅜
International Pet. (.75)	43	35	38⅞
Ohio Oil (2:75)	66¾	58½	59⅛
Prairie Oil & Gas†	50¼	47⅝	48⅛
Standard Oil of Ind. (3.5)†	80½	70⅞	73⅞
Vacuum Oil (5)†	149	136¾	141⅛

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.

With the volume of transactions establishing new records for the Curb Market, prices have been generally higher during the past fortnight. A number of new highs were established particularly among the miscellaneous industrial shares. In fact, the most spectacular gains were recorded in this section of the list, while the oil shares made very little headway in either direction and the public utilities with one or two exceptions displayed no great bursts of strength as characterized this group in past weeks. The mining shares were rather uninteresting, although *New Jersey Zinc*, which is frequently identified with this group was notably strong, establishing a gain of around 9 points during the fortnight and making a new high at a fraction under 200.

Cities Service common and preferred were both active in recent sessions, the former responding to the official report of earnings for the twelve months to March 1 in which per share earnings of $5.38 were shown on the common and the latter in reflection of its improving investment position. The common made a new high for the year during the past fortnight at a fraction under 60. Another active utility was *American Super Power*, a sort of a utility company investment trust, which sold up about 4 points to 42 during the period under review. *Puget Sound Power & Light* sold through 60 to a new high level for 1928, in response to the past year's annual report which showed an income earned on the junior stock amounting to $3.05 a share. This amount is after liberal depreciation charges, the preliminary reports indicating per share earnings of between $6 and $7 for the year before depreciation write-offs. This issue is now only a little below its market level of a year or so ago when it was in the dividend paying class, and the recent activity is generally attributed to the expectancy that dividends will be resumed in the not distant future. The company has recently settled a long standing litigation concerning tax payments with the city of Seattle, which will bring over half a million dollars into the treasury of the company.

Some of the high priced issues on the Curb were again run up, *Tubize Artificial Silk* making a new high for all time at 610 and holding well over 600 in spite of some profit taking that subsequently came on the market. *Ford Motors of Canada* also sold up into the 600 range during the past week, establishing a gain of over 30 points on the move, but failed to hold the price advantage thus recorded. *Celotex* was strong, making a gain of 13 points during the past two weeks to a new high for the year at 68. *Fajardo Sugar* continued its recent strength and hit a new high. Among the oil shares, the only activity marketwise that resulted in any material price gain was *Gulf Oil*, which had a share run up of ten points in a few sessions in response to the annual report of some 13 million dollars net income for 1927.

(*Continued from page* 1081)

of 1926, however, the visitation of the locust proved a heavy drag, causing a large deficit in the last quarter. Cumulative effects of the locust were felt in the first quarter of last year, but succeeding quarters showed sharp improvement and, despite the first quarter deficit, earnings for 1927 were the best for any year since 1923.

Summary

Cuyamel Fruit Company is committed for the present year to a continuation of its policy of diverting earnings from the payment of dividends to reinvestment in the property. The effects of this policy, however, have already resulted in substantially improving the company's position, both physically and financially. Extensive systems of irrigation promise to lend a stabilizing influence to earnings; funds spent on sugar properties may be the source of new and additional revenue; the better financial structure of the company should permit dividends, when resumed, to be more secure than they ever were in the past. Any gain in earnings in 1928 over the $6.23 a share earned in 1927 would point to a resumption of dividend payments early next year. *From the stock market viewpoint, the shares have gained in attractiveness as compared with their status of several years ago.*

DOES OUR PROSPERITY DEPEND UPON "PREPAREDNESS"?

For the Negative

(*Continued from page* 1021)

most of which is the terrible toll caused by war. Another war in the near future would ruin our rivals. No matter how much they may dislike us, all want peace.

The foundation of the favored naval legislation, calling for 15 cruisers, rests upon the assumption that England has far greater cruiser strength than the United States when, in truth, according to the figures given me, if a proper allocation is made, the United States has 99,924 more tons of cruiser strength than England.

Many students of the Geneva conference are of the opinion that an agreement could have been reached if the United States had agreed to put 6-inch guns on the new type of cruiser desired. However, when it is known that the Navy kept Admiral Jones in England off and on for a period of two years in conference with certain naval officers and that all naval officers are against the reduction of ships, it can be easily understood why the disarmament conference at Geneva was the most successfully concluded of any ever held, from the standpoint of the officers in the Navy. (*To next page*)

The naval programs so warmly advocated are really the product of the officers of the Navy and the present administration.

Congressman Brand of Ohio in a speech made in the House of Representatives a few days ago, stated that 40% of the laboring people in the U. S. at the present time are idle. According to statistics, the combined shipbuilding companies in the U. S. during the year 1927 turned out only 124,000 tons, in comparison with 1,225,-800 tons built by England and Ireland, thus showing that England is keeping up her merchant marine, which after all is the most important adjunct to a navy in time of war. This bill represents a heroic effort to stimulate a serious depression in shipbuilding activities. Congressman Bland of Virginia on March 16th, said: "I want to call your attention to the fact that the private yards of this country are trembling on the border of absolute dissolution and starvation."

There are nearly 600 naval officers in Washington and they want not only a powerful navy, but a magnificent one. They want great battleships and majestic cruisers that are better than those types in any other navy. Being human, they are probably thinking not a little of their own comfort and prestige as the men who have to live in our fighting ships and show the flag abroad.

In the third place, I am unalterably opposed to the big navy program because it is navally erroneous and obsolete. The kind of a navy it contemplates cannot defend our coasts or carry war to the enemy. It is not a grim fighting navy, but a showy peace navy.

Submarines and aircraft are the decisive weapons of modern naval warfare. With sufficient submarines we could shut off the vital supplies of any nation that dares to engage us in war. We could block the ocean lanes of commerce and close their harbors at home. With sufficient seaplanes we could make it impossible for any surface craft to approach our shores. If our big navy men are sincere they ought to give us plenty of submarines and flocks of airplanes; but submarines are not pleasant living quarters, and crouching in the cockpit of a fighting plane is not so comfortable as a stroll on the quarter-deck of a great cruiser. To carry the war to enemy submarines, let us commission the 150 destroyers that are tied up at Philadelphia and San Diego; and scrap a lot of the ships that progress has made obsolete.

The best use we can make of our huge battleships is to make them airplane bases. I favor spending $18,000,-000 to make every one of these 18 ships a carrier of bombing planes. That would be equivalent to extending the range of their guns to 200 miles; it would make them effective for modern warfare. That is far better than spending $19,000,000 each or more on exclusive plane carriers, and a hundred millions to elevate the guns of the battleships. (*To next page*)

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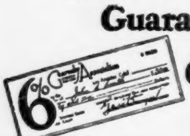

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Bank and Public Utility Stocks

	Div. Rate	1928 High	1928 Low	Last Sale Mar. 29
Anglo & London Paris Nat. Bank	$10.00	256	226	229½
Bancitaly Corporation	2.24	198⅛	137⅞	188⅝
Bank of Italy	5.24	297¼	260	287
East Bay Water A, Pfd	6.00	98	95½	98
Federal Brandes	....	33½	26⅝	31¾
Great Western Power Pfd.	7.00	106⅞	103½	105½
Los Angeles Gas Pfd.	6.00	110¼	105¼	110¼
Pacific Telephone & Tel. Pfd.	6.00	125	113½	124½
Pacific Gas & Elec.	2.00	49¾	43⅞	47

Industrials and Miscellaneous

	Div. Rate	1928 High	1928 Low	Last Sale Mar. 29
Alaska Packers' Assn.	8.00	160	160	160
California Packing	4.00	79⅞	72⅛	74½
California Petroleum	1.00	27⅜	23¾	25¼
Caterpillar Tractor	1.40	70⅞	53	68⅝
Foster & Kleiser (em)	1.00	19	14	15⅜
Hale Brothers	2.00	31	27	28¼
Hawaiian Coml. Sugar	3.00	53½	51⅝	52½
Hawaiian Pineapple	1.80	46½	41	46
Home Fire & Marine	1.60	49¼	41½	45½
Honolulu Cons. Oil	2.00	38¾	35	37½
Hunt Brothers Packing "A"	2.00	25	23	23
Illinois Pacific Glass "A"	2.00	53½	45½	48½
North American Oil	3.60	42	36¾	38¾
Paraffine Common	3.00	105⅝	84⅞	101⅞
Richfield Cons. Oil	1.00	34⅛	23¼	33⅞
Schlesinger A Common	1.50	27¼	21½	26
Shell Union Oil	1.40	26⅞	24	25
Southern Pacific	6.00	123⅞	118¼	122⅛
Sperry Flour Common	....	67	60½	67
Spring Valley Water	6.00	107¾	105	105
Standard Oil of Calif.	2.50	56⅝	53	55¾
Union Oil Associates	1.99	50¼	42¼	49
Union Oil of California	2.00	51	43⅝	49
Yellow & Checker Cab 'A" new stock*	....	58¾	55	58
Zellerbach Corporation	2.00	54½	43	52¼

* Par raised from $10 to $50.

Every competent witness appearing under oath before the various aircraft committees of Congress has said that no nation can land an army on our shores as long as we have superior aircraft facilities. Therefore, it would seem that the wisest policy for this nation to pursue at the present time is to take care of its internal problems, such as flood control and the stimulation of agricultural pursuits, rather than to waste the taxpayers' money in the construction of a type of ship that probably would not be utilized in another war.

I am against the proposed big navy because though it may be big it will be weak, because it will promote the war spirit without making for success in war; and because we can make ourselves invulnerable and insure our prosperity so far as international conflicts may affect it, reduce the terrible burden of taxation for military purposes, and get a more formidable navy for far less money.

TRADE TENDENCIES

(*Continued from page* 1054)

point on in ensuing months seems too enthusiastic, since expansion now in progress is partly seasonal and when Spring requirements are filled some reaction is more than likely to develop. Manufacturers are not going to benefit to any considerable degree by increasing production unless order volume warrants there doing so. Attempts are being made to bolster up prices with variable success, although in many cases purchasers have been able to cover specifications well under the bases quoted. Uncertainty over the future does not lend itself very well to price advances, so that the marking up of steel products is likely to prove rather difficult.

The industry, as a whole, is operat-

ing between 83 and 85% of capacity, while the Steel Corporation continues to hold around the 90% level. Automobile manufacturers expect to continue their high output well into the second quarter but are not in any rush to contract for steel to be used during that period. The construction industry is very active, as reflected in a substantial volume of structural steel orders. Railroads are steady buyers and mills have large backlogs of rails. An encouraging development is the increase in demand for standard pipe and other oil equipment, although the improvement is largely seasonal. The oil industry, however, has been more active in its specifications and if the generally better trend in that industry continues it is likely that the steel demand from this source will be more favorable.

Pig iron buying is not of any special volume, indicating that a good many foundries are well covered with regard to immediate requirements. Sales are showing a declining tendency but no changes have occurred in prices which are holding firm. Shipments are large, in some cases exceeding production. In view of more favorable conditions for finished steel, the movement in pig iron so far this year has been disappointing. There is no accounting for the failure of prices to respond to the better demand a little while ago, except that hand-to-mouth buying cannot, by reason of its scattered influence, have a concentrated and therefore stimulating effect upon markets.

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RUBBER

Marked Decline In Prices

Reports from Great Britain that the investigation of the Stevenson act might result in the entire abolition of the present restriction progam precipitated severe weakness in rubber markets, with prices falling to the lowest levels in many years. Such rumors have been quite consistent of late, and, although in the past have proved to be unfounded, will not down. At this time, however, while it appears unlikely that the British Government will abandon the present policy of regulating production within its domains, the sharp recession in rubber values would indicate that some change is under contemplation. The extent to which the Stevenson act may be modified is anybody's guess, although the opinion prevalent in rubber circles is that should there be a revision at all, the new limitation rate would probably be between 40 and 50% of standard production, as compared with 60% now in force. In the event that the restriction policy is dropped, or even altered to a lower percentage, further weakness in the price situation will undoubtedly develop, since the industry statistically

(*Please turn to page* 1087)

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Statistical Record of Business

	Week Ended Mar. 24, '28	Week Ended Mar. 31, '28	Year Ago
Volume Stock Exchange Transactions (Shares)	19,526,765	23,783,914	11,560,701
Average Price Magazine of Wall Street Index	119.1	122.6	99.1
Volume Bond Transactions...	$70,902,100	$80,705,400	$80,383,550
Average Price 40 Bonds	93.08-92.98	93.27-92.95	91.19-90.99
Brokers' Loans (Federal Reserve)	†$3,778,714,000	‡$3,825,379,000	$2,803,312,000
Comm'l Loans Federal Reserve Member Banks	$8,799,383,000	$8,813,701,000	$8,676,254,000
Federal Reserve Ratio.......	75.1	73.8	78.8
Gold Holdings	$2,945,831,000	$2,930,507,000	$3,182,693,000
Rediscount Rate, N. Y.	4%	4%	4%
Debits to Individual Accounts.	$18,051,000,000	$15,557,345,000	$13,228,567,000
Call Money	4½%	5%	4½%
Time Money (90 days)	4½-⅝	4¾-⅞%	4⅜-½
Commercial Paper	4-4¼	4¼-½	4-4¼
Acceptances (90 days)	3⅝-½	3⅞-¾	3¾-⅝
Dun's Business Failures	468	548	494
Weekly Food Index (Bradst's)	$3.33 (Feb. 1)	$3.33 (Mar. 1)	$3.47 (Mar. 1)
Wholesale Prices (Bradst's)...	$13.52	$13.34	$12.55

Industrial Barometers

	January	February	Year Ago
U. S. Steel Unfilled Tonnage..	4,275,947	4,398.189	3,579,119
Steel Ingot Production	3,959,904	4,014,774	3,781,376
Pig Iron Production	2,866,468	2,900,126	2,938,164
Pig Iron Furnaces in Blast ..	184	186	217
Automobile Production	¶232,685	¶325,778	304,800
Building Permits (Bradstreet's)	$215,399,016	$278,596,182	$255,152,100
Petroleum Production (bbls.)..	72,321,000	**68,388,850	69,884,300
Bituminous Coal Production (net tons)	44,208,000	41,290,000	52,904,000
*Copper Production (short tons)	68,469	67,423	69,200
Cotton Consumption (bales) ..	582,417	573,810	589,413
Spindles active	31,697.876	31,687,012	32,873,280
Wool Consumption (lbs)	45,087.427	48,323,520	46,388,783
Railroad Earnings	$57,070,898	....	$61,000,000
% on Railroad Property invested	3.68	....	4.06
Car loadings	3,447,723	3,589,694	3,801,918

Foreign Trade

	January	February	Year Ago
Merchandise Exports	$411,000,000	$373,000,000	$372,679,000
Merchandise Imports	$338,000,000	$353,000,000	$310,866,000
Gold Exports	$52,086,000	$25,776,000	$2,414,000
Gold Imports	$38,320,000	$14,686,000	$22,309,000

Distributive Trades

	January	February	Year Ago
Mail Order Sales	$37,465,618	$38,392,116	$35,150,498
Chain Store Sales (5 & 10 cent stores)	$89,847,967	$97,090,029	$83,092,513
Dept. Store Sales (index number 1923-5—100%)	88	85	83

* U. S. Mines. † March 21. ‡ March 28. ¶ Exclusive Ford. ** Subject to revision.

(*Continued from page* 1085)

is in no position to cope with any large increases in output.

With prices hovering around the 28 cent level, better buying might be expected despite the outcome of the investigation in England. But conditions within the industry forestall the possibility of any rapid or sustained recovery, chiefly because stocks are of such large proportions that only by marked curtailment of production and unusually heavy consumption can the industry hope to attain a more favorable position. Supplies in transit continue large, averaging about 8,000 tons weekly. And although the demand for rubber is expected to be of exceptionally good volume this year, excessive stocks indicate that the commodity will remain cheap for a rather prolonged period.

Tire manufacturers until the recent break in crude rubber prices occurred were favorably situated to profit by the large requirements of the automobile industry. In anticipation of heavy Spring demand, automobile producers have been speeding up production and a number of companies are reporting record outputs. This is all very favorable to tire manufacturers and ordinarily would mean greatly improved profit margins. But in expectation of expanding seasonal consumption large companies carry ample inventories so that the recent slump in crude rubber prices may bring in its wake rather severe inventory losses.

A short time ago it appeared that tire prices were in line for a substantial advance as a result of the active demand. Now, however, the industry is not looking for an upward revision, indicating that producers are not willing to run the risk of incurring further loss through a decline in present rate of buying. This might easily happen if consumers, sensing a reduction in prices of finished goods as a result of unsettled crude rubber conditions, were to withdraw from the market in the hope of securing concessions. The redeeming feature of the situation insofar as tire manufacturers are concerned is the sustained sales volume which is current, and must continue to result from the huge output of the automobile industry.

WILL GOLD EXPORTS CONTRACT OUR CREDIT SUPPLY?

(*Continued from page* 1029)

banks had reached the lawful limit, and in the impounding of gold which has accompanied the accumulation of surplus reserves from 1921 to date.

Theoretically, rediscount rates should have been regulated after 1921 in the sole interest of price level stability. Other factors have entered in however. One was the desire to lose gold to European countries which were

(*Please turn to page* 1090)

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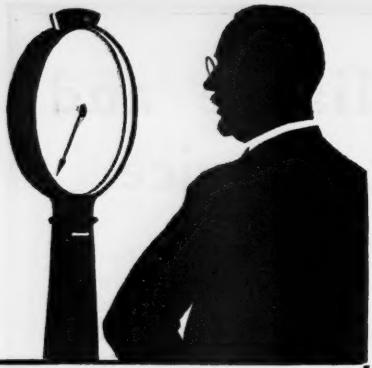

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OFFICE OF THE SECRETARY
Baltimore, Md., March 28, 1928.

The Board of Directors this day declared, for the three months ending March 31, 1928, from the net profits of the Company, a dividend of one (1) per cent. on the Preferred Stock of the Company.

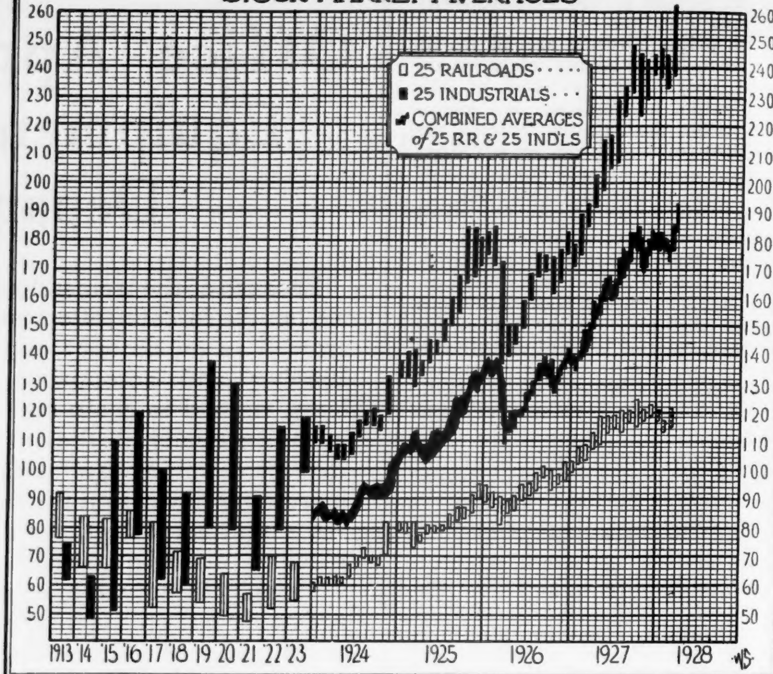
The Board also declared from the surplus profits of the Company, a dividend of one and one-half (1½) per cent. on the Common Stock of the Company.

Both dividends are payable June 1, 1928, to Stockholders of record at the close of business on April 14, 1928.

The transfer books will not close.

C. W. WOOLFORD, Secretary.

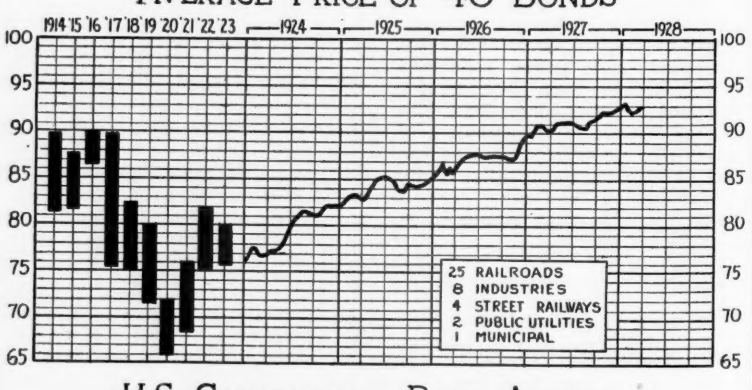
Stock Market Averages



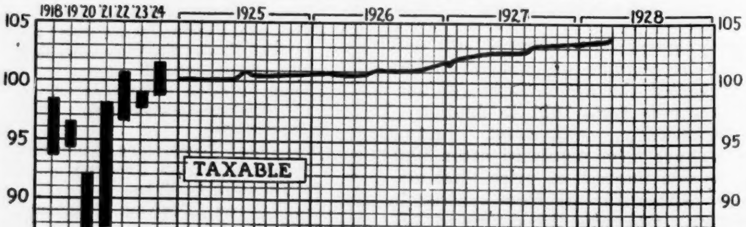
MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, March 15	92.74	202.91	138.23	185.39	182.95	3,510,990
Friday, March 16	92.89	204.70	139.95	186.79	184.00	3,910,695
Saturday, March 17	93.01	204.03	140.92	187.57	185.55	2,065,810
Monday, March 19..........	92.98	203.66	140.30	187.90	184.97	3,068,160
Tuesday, March 20	93.06	205.23	140.07	188.27	185.34	3,322,460
Wednesday, March 21	93.08	206.78	140.41	189.96	187.14	3,817,900
Thursday, March 22	93.06	206.67	140.30	191.12	187.58	3,873,890
Friday, March 23	93.01	208.56	140.37	191.61	188.72	3,501,460
Saturday, March 24	93.00	209.10	140.11	191.77	189.81	1,989,550
Monday, March 26	92.09	210.36	140.66	192.86	189.93	4,202,820
Tuesday, March 27	92.95	210.38	140.95	192.91	187.38	4,790,270
Wednesday, March 28..........	93.00	210.03	141.23	192.63	189.97	4,019,890

Average Price of 40 Bonds



U.S Government Bond Average



ANNUAL REPORT OF

THE NATIONAL CASH REGISTER COMPANY

FOR THE YEAR 1927

Dayton, Ohio, March 12, 1928.

TO THE STOCKHOLDERS:

Appended hereto are the certified Balance Sheet of your Company as of December 31, 1927, and statements of income and surplus for the year.

EARNINGS FOR YEAR

The net earnings of The National Cash Register Company and its wholly-owned subsidiaries for the year ended December 31, 1927, after deducting all expenses incident to operations, including repairs and maintenance, and adequate provision for depreciation and taxes, including reserve for Income taxes, were $7,044,642.27, equivalent to 2.13 times the amount required to pay the preferential dividend of $3.00 per share on the Common "A" stock. Dividends of $3.00 per share on both classes of stock were paid for the year 1927.

Retail trade in certain sections of the United States was unfavorably affected by unseasonable weather and the Mississippi flood, but the adverse effects on the Company's business in these sections was offset by gains in other territories and foreign fields. Both sales and earnings show an increase over the preceding year.

The net earnings of $7,044,642.27 for the year 1927 are comparable with the net earnings of $6,760,639.34 for the year 1926.

FINANCIAL POSITION

Cash and U. S. Treasury Certificates amounted to $5,292,979.11 at the close of the year, as compared with $1,366,229.17 at the beginning of the year.

The current assets amounted to $34,752,679.64 as compared with current liabilities of $5,909,317.05, or a ratio of 5.88 to one.

Additions to the property, plant and equipment account amounted to $1,207,984.20 and depreciation amounting to $1,338,701.54 was written off.

The investment in foreign companies and branches is $9,050,602.29, the amount of their net assets.

The balance sheet item "Patents, Good-Will and other Intangible Assets" was reduced $200,000, which was charged against income.

GENERAL

The Company is developing machines for new markets and fields. This development has carried the product beyond the range of machines to be used in retail stores, and now its accounting machines are adaptable to banks, installment houses, offices, etc. The Company is completing the engineering and development work on several new types of machines which will be introduced within the next year.

The outlook for an increasing foreign business is promising.

The year opens with inventories normal, and the Company in sound financial condition, with no funded debt or outstanding bank loans or notes payable.

FREDERICK B. PATTERSON, President.

INCOME ACCOUNT

For the Year Ended December 31, 1927

Sales (Including sales of foreign subsidiary companies and branches)		$46,961,517.76
Profits from all sources for the year ended December 31, 1927, including profits of foreign subsidiary companies and branches, before depreciation		$9,262,462.69
Provision for depreciation of plant and equipment		1,338,701.54
Profit from operations		$7,923,761.15
Add—Miscellaneous income		327,618.25
Together		$8,251,379.40
Deduct:		
Interest paid	$6,137.70	
*Patents amortized	200,000.00	
Provision for Federal Income Tax	793,254.78	
Reserve for contingencies	207,344.65	
		1,206,737.13
Net profit for the year		$7,044,642.27

*Corresponding figure in 1926, $116,665.59 deducted before arriving at profits from operations.

STATEMENT OF SURPLUS

For the Year Ended December 31, 1927

Balance at January 1, 1927		$2,012,727.97
Net profit for the year ended December 31, 1927, as per income account above		7,044,642.27
Together		$9,057,370.24
Deduct:—Dividends declared:		
On Common "A" Stock	$3,300,000.00	
On Common "B" Stock	1,200,000.00	
		4,500,000.00
Surplus at December 31, 1927, as per balance sheet		$4,557,370.24

BALANCE SHEET DECEMBER 31, 1927

Assets

CURRENT ASSETS			
Cash in Bank and on Hand	$2,092,979.11		
United States Certificates of Indebtedness	3,200,000.00		
		$5,292,979.11	
Customers' accounts receivable:			
Installment accounts	$18,008,286.81		
Other accounts	2,055,670.04		
		20,063,956.85	
Agents' balances and miscellaneous accounts		1,595,564.47	
Inventories at cost or market, whichever is lower		7,800,179.21	
			$34,752,679.64
INVESTMENT IN FOREIGN SUBSIDIARY COMPANIES AND BRANCHES, as per statement attached			9,050,602.29
PROPERTY, PLANT AND EQUIPMENT, at book values, less depreciation (sound values at December 31, 1925, as appraised by American Appraisal Company) amounted to $22,091,189.60			5,926,903.89
PATENTS, GOOD-WILL AND OTHER INTANGIBLE ASSETS			1,683,335.31
PREPAID INSURANCE, ETC.			166,207.58
			$51,579,728.71

Liabilities

CURRENT LIABILITIES		
Accounts payable, trade and miscellaneous	$739,890.32	
Agents' balances and prospective commissions	1,779.260.95	
Accrued taxes	1,237,914.33	
Dividends declared (payable January, 1928)	2,025,000.00	
Customers' deposits	127,251.45	
		$5,909,317.05
RESERVES for contingent losses on receivables, future collection expenses and contingencies		3,256,906.34
CAPITAL AND SURPLUS: (Represented by 1,100,000 shares common "A" stock and by 400,000 shares common "B" stock, both of no par value)		
Capital	$37,856,135.08	
Surplus	4,557,370.24	
		42,413,505.32
		$51,579,728.71

COMBINED STATEMENT OF ASSETS AND LIABILITIES OF FOREIGN SUBSIDIARY COMPANIES AND BRANCHES AS AT DECEMBER 31, 1927

(At current rates of exchange)

Assets

Current assets:			
Cash		$607,238.00	
Marketable Securities		12,566.55	
Customers' accounts receivable		7,471,983.96	
Agents' balances and miscellaneous accounts		493,213.74	
Inventories of registers, raw materials, supplies and repair parts (after deducting inter-company profit)		2,629,103.33	
			$11,214,105.58
Property, plant and equipment, at book value, less depreciation			728,147.12
Prepaid freight and duty, etc			196,175.33
Total assets			$12,138,429.33

Liabilities and Reserves

Current liabilities:			
Accounts payable, trade and miscellaneous	$179,193.86		
Agents' balances and prospective commissions	791,223.33		
Provisions for taxes, insurance, etc.	669,273.94		
Customers' deposits	253,589.56		
		$1,893,280.69	
Reserves for contingent losses on receivables and other contingencies		1,194,546.35	
Total liabilities and reserves			3,087,827.04
Net assets of foreign subsidiary companies and branches as per balance sheet			$9,050,602.29

AUDITOR'S CERTIFICATE

We have examined the books and accounts of The National Cash Register Company at the head office in Dayton, Ohio, for the year ending December 31, 1927, and have had produced to us properly authenticated returns from the foreign subsidiary companies and branches, and we certify that the foregoing balance sheet and relative income account and statement of surplus are correctly prepared therefrom and, in our opinion, fairly state the financial position of the company as at December 31, 1927, and the results of the operations for the year.

PRICE, WATERHOUSE & CO.

56 Pine Street, New York, N. Y., February 29, 1928.

F. B. Patterson, President and Chairman Board of Directors

J. H. Barringer, Vice-President and General Manager

S. C. Allyn, Treasurer — **E. M. Kuhns, Secretary**

Directors

F. B. Patterson, Chairman

S. C. Allyn
Treasurer

J. H. Barringer
Vice-President and General Manager

Karl H. Behr
Dillon, Read & Co., New York, N. Y.

Walter H. Bennett
Vice Chairman American Exchange Irving Trust Co., New York, N. Y.

Wm. Hartman
Factory Manager

J. C. Haswell
President, The Dayton Malleable Iron Co., Dayton, Ohio.

S. W. Howland
Root, Clark, Buckner, Howland and Ballantine, New York, N. Y.

C. M. Keys
President, Curtiss Aeroplane & Motor Co., New York, N. Y.

E. M. Kuhns
Secretary

C. E. Steffey
General Sales Manager

Transfer Agents

Class A Stock

Central Union Trust Co. of New York
80 Broadway, New York, N. Y.

First Trust and Savings Bank
Chicago, Ill.

Class B Stock

The Dayton Savings and Trust Co.
Dayton, Ohio

Registrars

Class A Stock

National Park Bank
214 Broadway, New York, N. Y.

Northern Trust Co.
Chicago, Ill.

Class B Stock

The Dayton Savings and Trust Co.
Dayton, Ohio

8% N.C.C.A. Certificates

An attractive long term investment combining

Safety and High Yield

A direct obligation against the entire assets of the Association which operates a chain of 8 companies with 36 offices in 8 States, supplying a loan service to small borrowers.

Redeemable on demand any time after one year. Issued in sums of from $25,000 to $25.

Yielding nearly 8% at current market price.

Send for circular 110 and a copy of our new booklet "Building Wealth thru 8%."

National Cash Credit Corp.

NCCA ORGANIZATION

141 Broadway
New York

110

Name ....

Address ....

Please send Booklet

New York

6% On Systematic Savings
SERIAL
BUILDING LOAN & SAVINGS INSTITUTION
195 BROADWAY · 170 FULTON ST.
NEW YORK
UNDER SUPERVISION N.Y. STATE BANKING DEPT.
SEND FOR BOOKLET
5%
On Save as You Please Accounts

New Jersey

Assets $2,500,000.00
TENTH WARD BLDG. & LOAN ASS'N
17 Pacific St. Newark, N. J.
Under State Banking Dept. New Jersey
6% on Paid-Up Shares
7% on Installment Shares
Send for our 32-page booklet

Illinois

7% On Savings
Secured by
First Mortgages on Chicago Real Estate
Write for Booklet
Peoples Savings & Loan Ass'n
Supervised by State Banking Dept. of Illinois
10956 S. Michigan Ave., Chicago, Ill.

Bonds Called for Redemption

Company	Rate	Maturity	Amount	Price	Redemption Date
Advance Bag & Paper 1st cv.	7%	1943	$1,360,000	105	May, 1928
American Republics Corp.	6%	1937	All bds.	103	April, 1928
American Rolling Mills Co.	6%	1938	All bds.	104½	July, 1928
Amer. Smelting & Refining B	6%	1947	$4,250,000	107½	April, 1928
Amer. Type Founders	6%	1937	$59,000	105	May, 1928
Amer. Type Founders	6%	1939	$63,000	106	May, 1928
Associated Electric Company	5½%	1946	$10,000,000	105	May, 1928
Atlanta Gas Light Company	6%	1970	All bds.	106	April, 1928
Brazil (U. S. of) external	6½%	1957	$562,000	100	April, 1928
Buffalo, Rochester & Pittsburgh G	4%	1929	$177,000	100	April, 1928
Central Public Service Company	6½%	1929	All bds.	101	July, 1928
Central States Power & Light Corp	6%	1930	All bds.	101	May, 1928
Central States Power & Light Corp	6%	1945	All bds.	105	June, 1928
Chile (Republic of), 25-year	8%	1946	All bds.	110	May, 1928
Chile (Republic of), 20-year	8%	1941	All bds.	110	Aug., 1928
Cleveland Union Terminal 1st mtge. A	5½%	1972	$32,000	105	April, 1928
Continental Gas & Elec. Corp. A	6½%	1964	All bds.	105	April, 1928
Czecho-Slovak Rep., 20-year, A	7½%	1945	All bds.	105	April, 1928
Denver Gas & Electric Company	5%	1949	$57,000	105	May, 1928
First National Pictures, Inc	6%	1928	All bds.	100	April, 1928
General Asphalt Co., 15-year	6%	1939	$62,600	105	April, 1928
Great Northern Power A	6%	1946	All bds.	102½	May, 1928
Havana Central R. R.	5%	1955	All bds.	110	May, 1928
Holland-American Line, 25-year	6%	1947	1,500,000(g)	100	May, 1928
Idaho (State of)	*	*	*	100	April, 1928
Inland Steel	5½	1945	$12,000,000	103½	May, 1928
Missouri Edison Company A	6½%	1940	All bds.	105	May, 1928
Mortgage Bond Co. of New York	4%	1966	$8,800	100	April, 1928
National Public Service A	6½%	1955	All bds.	105	April, 1928
National Public Service B	6%	1957	All bds.	105	April, 1928
New York, New Haven & Hart. Ry.	7%	1928-35	All bds.	103	April, 1928
Northern States Power	6½%	1933	$501,500	103	May, 1928
Paris-Orleans R. R. Company	7%	1954	All bds.	103	Sept., 1928
Public Service Elec. & Gas	5½%	1959	$26,580,000	105	May, 1928
Schulco Co. gtd. B	6½%	1946	$14,500	103	April, 1928
Schulco Co. s. f.	6½%	1946	$13,000	103	April, 1928
Southern Pacific coll. tr.	5%	1944	$29,400,000	100	May, 1928
Spanish River Pulp & Paper	8%	1941	All bds.	106	May, 1928
Standard Oil of N. Y.	6½%	1933	$20,000,000	103	May, 1928
Swift & Co.	5%	1932	$10,000,000	101¼	April, 1928
United Drug Co.	6%	1944	All bds.	107½	April, 1928
United States Steel Corp.	5%	1963	$2,868,000	110	May, 1928
Western States G. & E. (Cal.)	5%	1941	$3,332,000	105	June, 1928

* Not stated. (g) Guilders—Redemption in U. S. currency.

(*Continued from page* 1087)

making efforts to stabilize their currencies. The low rediscount rates fundamental to this plan have played into the hands of the call loan brokers in New York City with a resulting inflation in the security market. From the point of view of the Federal Reserve Board (in which we will include the view of the Secretary of the Treasury) and Federal Reserve banks, the choice was between aiding European stabilization and losing some of our surplus gold on the one hand, and stabilization, keeping gold, and perhaps to some extent preventing stock market inflation, on the other. The first point of view was adopted with results generally understood. Recently there has been some reversal in policy in an effort to check the over-extension of brokers' loan in New York even though the rise in the rediscount rate interferes somewhat with the movement of gold to the countries attempting to accumulate gold against the day of stabilization.

Financial Effects

With the rise in the rediscount rate in the New York district came much conjecture as to the effect upon brokers' loans and the security market with the actual mixed reaction. The psychological reaction was to contract loans, but this was nullified by a great impouring of funds from out-of-town institutions in order to take advantage of the temporary rise in call money rates which followed the advance in the rediscount rate.

A short time prior to this we witnessed the absurd reaction of the market to the pronouncement of President Coolidge on brokers' loans, a reaction which would indicate that the psychological factor, regardless of any sound financial principle, is of great importance. With such mixed and peculiar reactions due to official action and to purely psychological causes it is small woonder that there is a mixture of conjecture and of analysis relative to the effect of gold movements upon the price level and the money market.

One outstanding idea that has been urged is that with gold moving to other countries either as a result of ordinary trade conditions or as a result of credits extended in the interests of currency stabilization abroad, we must expect a great credit contraction and the money market must look forward to this and prepare for it.

Now this contention can have validity only in case we do not have ample surplus reserves to meet the demands for gold exports, assuming it is true that the policy of the Federal Reserve Board and banks looks to stabilization rather than to reserve ratio until the reserves approach the legal limits. *Therefore as long as our surplus reserves exceed the outward gold movements, this gold can move outward without any contraction in credit since surplus reserves support no credit.*

(*Please turn to page* 1092)

Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located, Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway, New York City

Colorado

7% Guaranteed Income Payable Quarterly

Full-paid certificates. 5-year term. $50 to $10,000—in bond form. Interest coupons attached. Interest to $300 exempt from Federal income tax. Protected by the safest known type of real estate mortgages and by our substantial permanent capital—plus state supervision. *Write for folder "C".*

Announcing Change in Interest Rate

Conforming with the present conservative trend, interest rate on our 5-year 7% Income Time Certificates will be reduced to 6½% effective April 15, 1928. This does not affect investments made prior to April 15, 1928.

Silver State Bldg. & Loan Assn.
1648 Welton St. Denver, Colo.
MEMBERS: the Colorado Bankers Assn., and the Colorado State and United States Bldg. & Loan Leagues.

Save from **$5.00 to $25.00** monthly—and HAVE **$1,000.00 to $5,000.00** in 127 months. OUR INSTALLMENT SHARES EARN 8% if carried to maturity.

LIBERAL LOAN AND WITHDRAWAL PRIVILEGES

7% on FULLY PAID—5-YEAR CERTIFICATES issued in units of from $50.00 to $5,000.00.

Write for Booklet MWR

"THE OLD CONSERVATIVE"

The Bankers Bldg. & Loan Ass'n
1510 Glenarm St. Denver, Colo.
Member Colorado State League and United States League of Building and Loan Associations. The Colorado Bankers' Association.

Texas

8% BEFORE YOU INVEST . . . . *INVESTIGATE* **THE TEXAS**

We have always paid 8% Interest per annum, compounded semi-annually. Tax exempt. No Fees.

Write for certified statement and literature

TEXAS BLDG. & LOAN ASS'N
of Dallas, Texas
Under State Supervision.

8% NON-TAXABLE INVESTMENTS

Full paid certificates issued in multiples of 100 dollars, interest payable quarterly in cash. No fees. Interest paid to date of cancellation after 90 days from date of issuance. Write for particulars.

Texas Plains Bldg. & Loan Association
107 West Sixth St., Amarillo, Texas

Texas

Southland Investment Certificates **7%**

(Full paid or Prepaid Shares)

Dividends Payable January and July

Dividends always earned and paid promptly. Withdrawals always recognized on demand. Satisfied shareholders from Maine to California. Investigate through any source. Write for full information.

SOUTHLAND BUILDING & LOAN ASSOCIATION
1204 Main St. Dallas, Texas

Name ....
Street ....
City ....

Texas B. & L. Pays 7% With Safety!

The Oldest Building & Loan Ass'n. in San Antonio (The Mutual) offers at par, an issue of cash coupon Certificates which yield 7% semi-annually. These securities are protected by high class First Mortgage Loans on Improved city property.

This company maintains the largest protective reserve fund and is under the direct supervision of the Texas State Insurance Department.

Certificates issued in amounts of $100.00 to $10,000.00.

Write for descriptive folder.

MUTUAL DEPOSIT & LOAN ASSOCIATION
108 Broadway, San Antonio, Tex.
Authorized Capital $50,000,000
The Oldest B. & L. Ass'n. in San Antonio

8% *If You Have $100*

or more you can invest in our Fully Paid Shares and receive dividends at the rate of 8% per annum, paid semi-annually.

We also issue Monthly Installment and Prepaid Shares. *Write for information today.*

MIDLAND BUILDING & LOAN ASSN.
SANTA FE BLDG. DALLAS, TEX.

Florida

8% and safety This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Bldg. and Loan Association"
Member "U. S. League of Local Building and Loan Associations"
Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.73
MARCH 31, 1926, $1,208,168.28
DEC. 31, 1927, $1,952,459.49

Authorized Capital $5,000,000

Application for loans far exceed our available funds. We respectfully solicit your investments.

Home Building & Loan Company
E. M. MILLER, SEC.-TREAS.
Under State Supervision
16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Booklet for Investors

Our booklet, "8% and Safety," tells the story of the Orange County Building and Loan Association, located in prosperous Orlando and Orange County, Florida. Assets have grown from $11,000 to $3,340,997.81 in six years. $641,633.78 has been paid in dividends to over 3,000 stockholders. Has always paid 8%, payable semi-annually. Shares offered at par, $100, without bonus or commission of any kind. Write for booklet.

Orange County Building & Loan Association
Orlando, Florida

Alabama

8% on Monthly Savings on Fully Paid Certificates

in amounts from $50.00 to $5,000.00 withdrawable on thirty days' notice. Secured by First Mortgages on Homes not to exceed 60% of valuation.

ALABAMA MUTUAL BLDG. & LOAN ASSOCIATION
2012 Fourth Avenue, Birmingham, Ala.
Under Supervision State Banking Dept.

IDEAS SERVICE COMMODITIES

THE OPPORTUNITY EXCHANGE

A Clearing House For Business Men

MEN AGENTS BUSINESS OPPORTUNITIES

Printing

LITHOGRAPHED LETTERHEADS

$1.25 per 1000

IN LOTS OF 50,000
25,000 at $1.50—12,500 at $1.75 or
6,250 our Minimum at $2.25 per 1000
Complete—Delivered in New York

ON OUR 20 LB. WHITE PARAMOUNT BOND

A Beautiful, Strong, Snappy Sheet
HIGHEST GRADE ART WORK AND ENGRAVINGS
GEO. MORRISON COMPANY
552 West 22nd St. New York City
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

Business Opportunity

BIG BUSINESS OPPORTUNITY

$400 KEI-LAC MACHINE EARNED $5040 IN ONE YEAR; $240 machine earned $1440; $160 machine earned $2160. One man placed 300. Responsible company offers exclusive advertising proposition. Unlimited possibilities. Protected territory. Investment required. Experience unnecessary. NATIONAL KEI-LAC CO., 557 Jackson Blvd., Chicago, Ill.

Dividends and Interest

SOUTHERN RAILWAY COMPANY

New York, March 8, 1928.

PREFERRED STOCK

A dividend of one and one-quarter per cent (1¼%) on the Preferred Stock of Southern Railway Company has been declared payable on April 16, 1928, to stockholders of record at the close of business March 20, 1928.

COMMON STOCK

A dividend of two per cent (2%) on the Common Stock of Southern Railway Company has been declared payable on May 1, 1928, to stockholders of record at the close of business April 2, 1928.

Cheques in payment of these dividends will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY, Secretary.

The Cudahy Packing Company

Chicago, Ill., Mar. 21, 1928.

The Board of Directors has this day declared the regular semi-annual dividend of Three Percent (3%) on the 6% Preferred Stock of the Company, and Three and one-half Percent (3½%) on the 7% Preferred Stock of the Company, payable May 1, 1928 to stock of record April 21, 1928. Also the regular quarterly dividend of One Dollar ($1.00) per share on the Common Stock of the Company ($50.00 par value), payable April 14, 1928 to stock of record April 5, 1928.

A. W. ANDERSON, Secretary.

ANACONDA COPPER MINING CO.

25 Broadway

New York, March 27th, 1928.

DIVIDEND NUMBER 99

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (75c) per share upon its Capital Stock of the par value of $50 per share, payable May 21st, 1928 to holders of such shares of record at the close of business at 12 o'clock, Noon, on April 14th, 1928.

A. H. MELIN, Secretary.

NEWMONT MINING CORPORATION

A dividend of One Dollar per share has been declared on the stock of this Corporation, payable April 16, 1928, to stockholders of record at the close of business on March 31, 1928.

H. E. DODGE, Treasurer.

Dated: March 20, 1928.

Dividends and Interest

Pacific Gas and Electric Company

Dividend Notice

Common Stock Dividend No. 49

A regular quarterly cash dividend for the three months' period ending March 31, 1928, equal to 2% of its par value (being at the rate of 8% per annum), will be paid upon the Common Capital Stock of this Company by check on April 16, 1928, to shareholders of record at the close of business on March 31, 1928. The Transfer Books will not be closed.

D. H. FOOTE, *Secretary-Treasurer*

San Francisco, California.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

154th Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on Monday, April 16, 1928, to stockholders of record at the close of business on March 15, 1928.

H. BLAIR-SMITH, Treasurer.

INTERNATIONAL PAPER COMPANY

New York, March 28th, 1928.

The Board of Directors have declared a quarterly dividend of Sixty (60c) Cents a share on the Common Stock of this Company, payable May 15th, 1928, to Common Stockholders of record at the close of business, May 1st, 1928.

Checks to be mailed. Transfer books will not close.

OWEN SHEPHERD, Vice-President & Treasurer.

UNITED VERDE EXTENSION MINING COMPANY

Dividend No. 48

233 Broadway, New York, March 26th, 1928.

The Board of Directors of the United Verde Extension Mining Company has this day declared a dividend of fifty cents per share on the outstanding capital stock, payable May 1st, 1928, to stockholders of record at the close of business April 6th, 1928. Stock transfer books do not close.

C. P. SANDS, Treasurer.

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway
New York

March 27, 1928.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 29 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable May 1, 1928, to common stockholders of record at the close of business April 3, 1928.

V. D. CRISP, Secretary.

INTERNATIONAL PAPER COMPANY

New York, N. Y., February 29th, 1928

The Board of Directors have declared a regular quarterly dividend of one and three quarters (1¾%) per cent on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half (1½%) per cent on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable April 16th, 1928, to holders of record at the close of business — April 2nd, 1928.

Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Vice President and Treasurer

OTIS ELEVATOR COMPANY

26th St. & 11th Ave., N. Y. C.

March 21, 1928.

A quarterly dividend of $1.50 per share on the Preferred Stock, and a dividend of $1.50 per share on the Common Stock will be paid April 16, 1928, to stockholders of record at the close of business on March 31, 1928. Checks will be mailed.

C. A. SANFORD, Treasurer.

(*Continued from page 1090*)

Only when the surplus reserves are exhausted would the export of gold cause a contraction of the credit supported by the reserves (which in one case was assumed to be ten dollars of credit for each dollar of reserve). Theoretically, at least, we could lose gold until surplus reserves are exhausted before there need be any contraction of credit and only at that point would the money market need be affected. Anyone knows, however, that the psychological factor is an important one. Just how much a fall in reserves will frighten speculators or business in general is problematical. If business has confidence in the ability of the Federal Reserve System to stabilize and to control the price level and gold movements, an outward movement of gold will engender no fears, credit will not be contracted.

Credit Contraction? Regardless of whether the present psychological reactions are well grounded, the question remains whether an export of gold really will involve a contraction of credit and, therefore, give a real basis for fear in the money market. If we really have ample surplus reserves to cover gold exports then there is no basis for fear and no necessity for contraction of credit. If not, then we should look for a credit contraction to the extent of the credit supported by the difference between the surplus reserves and the excess of gold exports. There will be a psychological reaction before this state of affairs is reached, just as there is a psychological reaction to a slight raise in the rediscount despite the surplus reserves and the impediment to the outward movement of gold. What these reactions will be cannot be foretold with accuracy; the only thing that can be told is whether they are well founded.

On February 29, 1928, the combined reserve against both notes and deposits amounted to 74.1%; against deposits alone it was 63.5% leaving a surplus reserve against deposits of 28.5% or $690,430,250. To the extent that gold is earmarked for foreign banks a deduction should be made from this surplus since such gold represents potential withdrawals and in no real sense can be counted upon to support credit. In the year 1927 the United States witnessed a net reduction in its gold stock of about $70,000,000. The first half of the year, roughly, was marked by importation; from May 1 to January 1, 1928, exports of gold amounted to about $234,000,000. Above this adverse balance of $70,000,000 there was a net increase of $180,000,000 in member banks' reserve balances for the year due in part to an increase in the bills and securities held by the reserve banks in excess of withdrawals of gold and in larger part from other sources

(*Please turn to page 1094*)

Consolidated Annual Statement

of

Union Carbide and Carbon Corporation

To the Stockholders of
Union Carbide and Carbon Corporation: March 22, 1928.

A Balance Sheet as of December 31, 1927, and a Statement of Income for the year 1927, and Surplus at the end of the year, are submitted herewith.

The Net Income for the year, before dvidends, is equivadent to $9.52 per share on the stock outstanding.

Expenditures for new plants, additions to existing plants, and for the acquisition of new properties, amounted to $13,557,224.42.

Construction work has continued on the development of additional water power at the Sauda Falls, Norway, plant, and preliminary steps have been taken toward the development of water power rights in the United States. Enlargement of chemical plants and the growth of the chemical business have continued. Research and experimental work have been actively pushed. The cost of all patents and intangibles acquired during the year was written off.

The aggregate of outstanding bonds, mortgages and debentures of subsidiary companies was reduced $256,150.00 during the year. Cash increased $3,437,600.64; Total Current Assets increased $254,320.81; Current Liabilities decreased $1,697,729.25. The decrease in Inventories and in Accounts Receivable and Accounts Payable is partially accounted for by the sale during the year of the storage battery business of a subsidiary, The Prest-O-Lite Company, Inc. The Prest-O-Lite Company, Inc., has continued and expanded its other lines and is profiting by the disposal of its storage battery business.

The assets and earnings of the United States Vanadium Corporation are consolidated in these statements. These properties were acquired in 1926 and shown on the December 31, 1926, Consolidated Statement, as securities owned.

Early in the Spring the Corporation offered to its employees a Group Life Insurance Plan, the cost being divided between the employee and the Corporation; and at the close of the year about 90% of employees eligible under the Plan had joined. Its operation has been satisfactory to the Corporation and the employees.

The Directors have approved plans, to become effective May 1, 1928, under which those who hold managerial and executive positions in the Corporation, or its subsidiaries, may be assisted in acquiring larger financial interests in the Corporation. It is the purpose of the plans to reward and encourage those who are largely responsible for determining and carrying out the business policies of the Corporation and who will be depended upon for its operation and growth in its present lines and in the production and sale of new products.

In these plans it is provided that amounts, which may aggregate a maximum of 5% of the earnings available for dividends of the previous year, to be annually used for the purchase of stock, a portion of these funds to be in the custody of the Treasurer and a portion in the custody of three trustees named by the Executive Committee of the Board of Directors.

It is also provided that the Corporation is to advance to the three trustees five million dollars to be used in the purchase of stock of the Corporation. This amount, with interest at the rate of 4% per annum, is to be returned to the Corporation in four years.

The stock thus acquired will be used under the supervision of the Executive Committee of the Board of Directors to carry out the purposes of the plans.

Respectfully submitted,
Jesse J. Ricks, *President.*

Consolidated Statements December 31, 1927

ASSETS

Current Assets			
Cash		$16,267,387.22	
Receivables			
Trade Notes Receivable	$1,995,607.40		
Trade Accounts Receivable	13,764,021.30		
Other Notes Receivable	875,088.50		
Other Accounts Receivable	1,120,238.87		
		17,754,956.07	
Inventories			
Raw Materials at Cost or Market Whichever is Lower	$13,144,209.23		
Work in Process at Present Manufacturing Cost	4,266,642.55		
Finished Goods at Present Manufacturing Cost	11,746,679.49		
		29,157,531.27	
Total Current Assets			$63,179,874.56
Fixed Assets			
Land, Buildings, Machinery and Equipment		$180,430,460.08	
Real Estate Leaseholds		527,515.40	
Power Leaseholds, Undeveloped Water Power, Patents, Trademarks, etc.		1.00	
Total Fixed Assets			180,957,976.48
Investments			
Investments in Affiliated Companies, the Assets and Liabilities of which are not included in this statement		$1,093,143.67	
Real Estate Mortgages	$341,333.15		
Notes Receivable Maturing After 1928	143,587.64		
		484,920.79	
Other Securities		2,389,537.02	
Total Investments			3,967,601.48
Deferred Charges			
Prepaid Insurance, Taxes, etc.		$1,132,902.41	
Bond Discount		324,405.47	
Total Deferred Charges			1,457,307.88
TOTAL ASSETS			$249,562,760.40

LIABILITIES

Current Liabilities			
Notes Payable	$109,954.69		
Accounts Payable	3,580,849.13		
		$3,690,803.82	
Bond Interest (Unpresented coupons and interest payable January 1, 1928)	$106,317.50		
Bond and Mortgage Interest Accrued	102,796.45		
		209,113.95	
Dividend Payable Jan. 2, 1928		3,989,599.50	
Accrued Taxes (Including Income Taxes)		3,454,000.79	
Accrued Dividends on Outstanding Preferred Stock of Subsidiary Companies		74,666.66	
Other Accrued Liabilities		251,707.87	
Total Current Liabilities			$11,669,892.59
Funded Debt of Subsidiary Companies			
First Mortgage Bonds—			
Due Feb. 1, 1937, 6%	$1,165,000.00		
Due July 1, 1941, 5%	3,462,000.00		
Due July 1, 1950, 6%	318,000.00		
Due Oct. 1, 1955, 5%	3,872,000.00		
		$8,817,000.00	
Mortgages on Real Property—			
Due Jan. 1, 1930, 5%	$3,000,000.00		
Due Dec. 14, 1932, 5½%	108,000.00		
		3,108,000.00	
Debentures—			
Due April 1, 1958, 5%		1,454,500.00	
			13,379,500.00
TOTAL LIABILITIES			$25,049,392.59
Reserves for Depreciation, etc.			36,493,028.64
Preferred Capital Stock of Subsidiary Companies			6,350,000.00
Capital Stock of Union Carbide and Carbon Corporation—2,659,733 Shares, No Par Value			109,112,421.40
Surplus (Capital and Earned)			72,557,917.77
			$249,562,760.40

INCOME

(Fiscal Year Ended December 31, 1927)

Earnings (After Provision for Income Taxes)		$34,195,681.91
Less—		
Depreciation and Depletion	$6,440,221.54	
Other Charges	1,214,968.34	7,655,189.88
		$26,540,492.03
Deduct—		
Interest on Bonds, Mortgages and Debentures of Subsidiary Companies	$706,831.37	
Dividends on Preferred Stock of Subsidiary Companies	493,000.00	1,199,831.37
NET INCOME		$25,340,660.66

SURPLUS

Surplus at January 1, 1927		$63,035,491.60
Add		
Net Adjustments Not Applicable to 1927 Operations		140,163.51
Net Income for Year 1927 (As Above)		25,340,660.66
TOTAL		$88,516,315.77
Deduct Dividends Declared on Union Carbide and Carbon Corporation Stock:		
No. 38—$1.50 per share, paid Apr. 1, 1927	$3,989,599.50	
No. 39— 1.50 per share, paid July 1, 1927	3,989,599.50	
No. 40— 1.50 per share, paid Oct. 1, 1927	3,989,599.50	
No. 41— 1.50 per share, payable Jan. 2, 1928	3,989,599.50	15,958,398.00
SURPLUS AT DECEMBER 31, 1927		$72,557,917.77

Note: Includes twelve months' earnings (viz., to September 30, 1927) of subsidiaries other than United States and Canadian.

We have examined the books and records of Union Carbide and Carbon Corporation and its subsidiaries and, accepting the statements of other auditors with respect to subsidiaries other than United States and Canadian, we certify that, in our opinion, the foregoing consolidated statements set forth truly the financial condition of the Corporation and its subsidiaries and the results of operations as of the dates stated, and are in accordance with the books.

March 22, 1928. Hurdman and Cranstoun.

©

(*Continued from page* 1092)
such as the decrease in the country's demand for hand-to-hand currency.

The highest point of our gold reserves, held by the Federal reserve banks was July 23, 1924, when they reached $3,167,527,000; in 1927 the high mark was May 11 with $3,070,154,000 and the low mark December 28 with $2,739,100,000. On February 29, 1928, the Federal reserve banks held $2,808,370,000 which is somewhat above the average of the high points for the years 1917-1927; this average was $2,697,607,273. The average of high yearly total reserve ratios for 1917-1927 is 71.9. The present (February 29, 1928) ratio of total reserves to notes and deposits is 74.1%—also above the average.

Fears Not Justified With our present gold holdings well above the average of the yearly high points for the last decade and with our total reserves also above the average with a theoretical margin of 28.5% to spare (theoretical since we do not know the amount of earmarked gold), it would seem that there is no justification for any fear of contraction of credit as a result of any gold movements that we may look forward to with reasonable certainty. On the contrary it appears that we are in a reasonably strong position to lose good and to continue the policy of aiding foreign countries in their stabilization plans if the Federal Reserve Board can find a way to accomplish this without at the same time making loanable funds too easy to secure in the money market.

One big factor in the great expansion of call loans, of course, is the prevailing habit of dealing on the margin. A radical raising of the margin required might serve as a desirable check upon the inflationary tendencies. Regardless of the best method of checking such an inflation it seems apparent that there is no well-founded reason why a slight raise in the Federal Reserve Bank rediscount rate should cause a liquidation. The factor must be a psychological one resting upon the fear that the lending member banks may decide to change their policies since the attitude of the Board and Federal Reserve Bank of New York is understood to be opposed to so much lending of this nature. But this is quite different from saying that these banks are not as free to lend in this manner as they were before the rediscount rate was raised. Except for the psychological factor involved there is no reason why the banks cannot lend just as freely as before. Nor should ordinary gold exports, even as heavy as during the last four months of 1927, have any effect upon the money market, much less upon the general credit situation.

Another fundamental query that may be raised is whether it is really relevant to say that reserves are low in this country when the percentage of actual reserve money outside and inside banks is computed to be about 8%. This seems to ignore the fundamental principle underlying the dilution of cash reserves instituted as an outstanding characteristic of our Federal Reserve System. Under this system we have reserves against reserves, but they are more mobile, more liquid. Because of this concentration, mobility and liquidity, their potency is increased by something like 2½ times as compared with pre-Federal Reserve days. Under the old system $1,000,000 in reserve in the National Banking System might support in credit, let us say, $10,000,000. Under the present system with this $10,000,000 outstanding the $1,000,000 is deposited with the Federal reserve bank or banks as a reserve deposit against which a 35% reserve must be kept as a minimum. If the $350,000 are set aside as reserve, $650,000 are available as reserve to support loans to the member banks which will serve as reserve deposits on which they may extend credit again to ten times the amount of the newly acquired reserve. The $650,000 will justify a loan and support a reserve deposit equal to $1,857,285 since it is 35% of that amount. This would justify the member banks extending their loans and consequently their deposits by $18,572,850 which added to the original $10,000,000 outstanding makes a total of $28,572,850 outstanding on the basis of $1,000,000. Under the old system $10,000,000 was the average limit. Thus the potency of the dollar in the vaults of the Federal Reserve Banks has been increased by 2.8 times, provided the credit extension takes the form of deposit credit. To the extent that Federal reserve notes are used the possibilities of expansion are somewhat limited, since a reserve of 40% must be held against them and since they cannot serve as reserve for a further extension of credit. It has been estimated that with an average use of Federal reserve notes along with deposits the expensive power of the dollar in the reserve banks has been increased about 2½ times. If this be true then the superstructure of credit can expand to this extent without any greater strain upon the reserve base than prior to the dilution of the reserves.

Absolute amounts of reserves lose their significance when concentrated and made mobile. An analogous case may be found in clearing house procedure. If the New York Clearing House cleared one billion dollars of items in one day and the members kept a reserve of 13% to meet adverse balances, they would have a reserve of one hundred and thirty million dollars. Today their reserves are with the Federal Reserve Bank of New York against which the Federal Reserve Bank keeps a minimum reserve of 35% which, on the basis of this calculation would amount to but 4.5% of the billion dollars. As a matter of fact the actual funds required to meet adverse clearing house balances are considerably smaller than indicated here. Separate funds to meet adverse clearing house balances are not kept apart from their regular reserves against deposits; it is these ordinary reserve balances that are debited and credited and the calculation merely illustrates dilution of reserves in this respect. It is safe to say that the funds necessary to meet adverse clearing house balances would not exceed one-half this amount. From 1854 to 1923 the average balance required was 6%. This means that the real reserve which the Federal Reserve Bank would need to hold on the average would be about 2.1% of the billion dollars cleared. Yet does any one think the clearing house members are in a less secure position because they take advantage of this method of reserve concentration? Not at all, yet in absolute amount the decreased reserve may appear significant.

On the basis of this analysis it would seem that our reserves are not low, that the Federal Reserve Board and banks have ample opportunity to work in the interests of stabilization, that ordinary gold exports can take place without endangering reserves, or without affecting the credit structure and perhaps the money market, and that if these are affected the cause must be largely psychological in nature or arise from other factors that bear upon the general business situation.

WHAT MADE RADIO GO UP?

(*Continued from page* 1023)

The Manipulator A discussion of the technical situation that existed in Radio shares, would not be complete without some mention of the capable operator who is credited with having directed the activities of a strong pool of "insiders." "Mike" Meehan, as he is fondly called by his associates on the Exchange floor, is attributed the individual distinction as the "man who licked the shorts in Radio." This means, of course, that as the leader of the buying interests in Radio, Mr. Meehan, displayed a degree of courage and dexterity of maneuver, that places his name among the immortals in the chronicles of speculative stock operations.

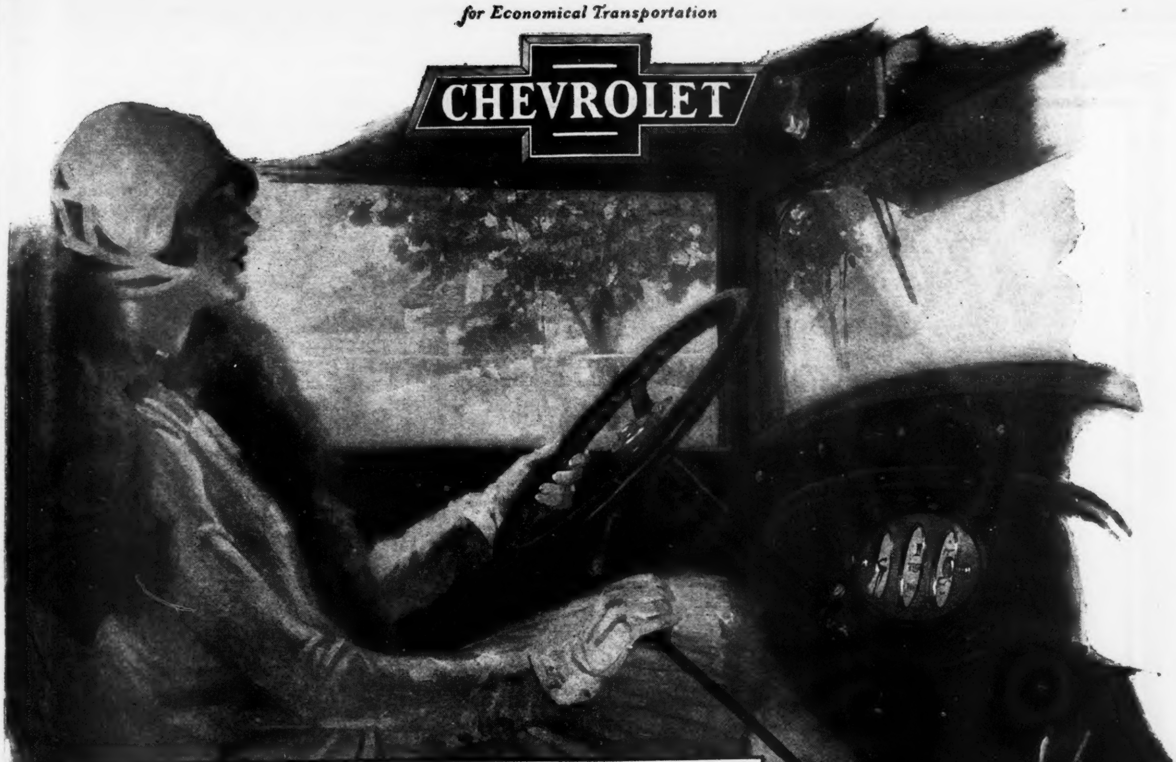
The striking stock market performance of Radio shares and the technical situation that made this sensational rise possible, however, is only one part of the story. The other part comprehends the equally spectacular and romantic side of the company's growth from a small communication company with very uncertain prospects to one of the dominating corporations in current industrial history of America. It is all the more interesting because it happened as a burst of patriotic sentiment—the material rewards of which have subsequently run into hundreds of millions of dollars. But that is again getting a little ahead of our story.

It is safe to say that there are few buyers or sellers of these shares who

(*Please turn to page* 1096)

for Economical Transportation

CHEVROLET



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The time has now come when "a car for her, too" is a necessity—and women buyers everywhere are exhibiting a decided preference for the Bigger and Better Chevrolet . . . with its beautifully styled Fisher bodies, its modish new colors and its generously roomy interiors.

This wide appeal to women is assisting greatly in Chevrolet's consistent sales success—another fundamental reason why Chevrolet dealers have been able to increase the soundness, stability and magnitude of their business.

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—*AT THESE LOW PRICES!*

The Touring or Roadster	$495	The 4-Door Sedan	$675
The Coach	$585	The Sport Cabriolet	$665
The Coupe	$595	The Imperial Landau	$715

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(*Continued from page* 1094)

really know this phase of "the inside story of Radio." one of the most spectacular price movements in Stock Exchange history. For this also is the kind of story that never appears in financial statements of company reports.

Nor is it widely appreciated today that less than ten years ago, the officials of some of our leading electric companies were importuned by Government officials to keep radio communication under the control of American interests on purely patriotic grounds. With this end in view, the Radio Corporation of America was organized. It started in to be one thing and ended by being something else.

Shortly after the signing of the Armistice, there was considerable public interest in the shares of the Marconi Wireless Telegraph Co. of America, whose two million shares were bought and sold on the old outdoor Curb market at prices which were a few points above their par value of $5 a share. Then, like now, the real tangible value of such an issue was difficult to determine. And the feasibility of satisfactory international radio communication was by no means conclusively established in these early years.

Earnings of the Marconi company in the United States which made it possible to pay out $500,000 annually in dividends on the capital stock were largely the result of war-time conditions, which had then ended.

The patent situation as it pertained to radio devices both nationally and internationally was not very clearly defined. The sending stations of this concern had been taken over by the Navy Department during the war. The company was British controlled and there was a good deal of talk about Congressional action which would establish a Government monopoly on future radio development. Radio was 100% a communication device in those days with little thought of any such million dollar by-product as popular broadcasting for universal reception in the home.

But even in those "pre-broadcasting days" radio was surrounded with a mystic charm. The ambitions of the Marconi concern in America for the creation of a world-wide commercial service of radio communication fired the ambitions of the excited Curb traders who shouted their orders across the wide thoroughfare of Broad Street, just a little away from the Stock Exchange building. The Marconi company was THE wireless company in the United States. That its capitalization should be valued by foresighted stock buyers at between ten and fifteen million dollars was merely a tribute to the "ultimate possibilities in radio development."

When in the very end of 1919, the assets of this company were taken over to the Radio Corporation of America, whose common and preferred shares sold at 1½ and 2½ respectively, the "wiseacres" shook their heads and mur-

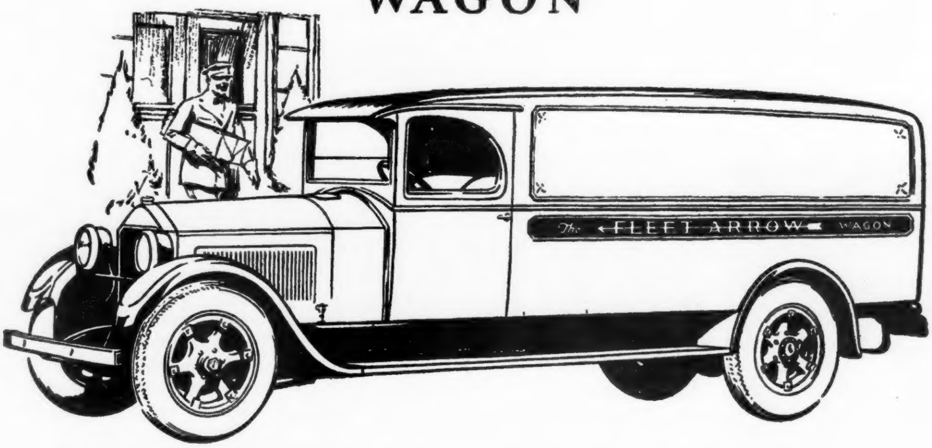
(*Please turn to page* 1098)

Pierce-Arrow announces

THE NEW

FLEET ARROW

WAGON



Built by Pierce-Arrow to carry a two-ton load with greater ease, greater speed, greater safety and greater economy than any other vehicle on the market.

$2450
for 140-inch wheelbase
$2500 for 160-inch wheelbase
$2550 for 180-inch wheelbase
for chassis only, at Buffalo
Dual Rear Tires Extra

OUTSTANDING FEATURES

A Pierce-Arrow 6-cylinder engine . . . More than 70 horsepower . . . 40 to 47 miles per hour maximum . . . 7-bearing crankshaft . . . Unusual gasoline economy . . . Safety 4-wheel mechanical brakes . . . 1500-4000 pounds pay load . . . Short turning radius . . . High carbon steel frame . . . Tubular radius rods . . . 140″ — 160″ — 180″ wheelbases . . . Dual rear tires.

See the new Fleet-Arrow Wagon at the Pierce-Arrow distributor's in your city

COMMERCIAL CAR DIVISION

THE PIERCE-ARROW MOTOR CAR COMPANY, Buffalo, N. Y.

Builders of Quality Trucks Since 1911

There's Wealth In Health!

WHEN those stock exchange transactions shoot skyward from 3,000,000 a day to the heights of 4,000,000 shares, it's in the familiar high altitudes you want to go for your rest and recreation. Get out the old fishing-rod and hiking boots—"shove off" this summer for a vacation in the Rockies. Seek out those nooks where you'll find Mr. Trout—hike up those mountains where you'll inhale ozone just full of health. Plan on having the vacation of your life "Out Where the Rest Begins."

Courtesy Great Northern Ry.
Trick Falls in Glacier National Park

All the way from the foothills of the Black Hills, where a President spent his vacation; among the picturesque peaks and valleys of the Rocky Mountains; to the western slope of the Sierra Nevadas you will find health-giving resorts and playgrounds, where you can regain that old pep.

Yellowstone National Park with its famous terraces at Mammoth Hot Springs, "Old Faithful" with its true-to-the-second eruptions, and the Grand Canyon, Nature's mile-deep furrow, are all calling you.

Still going westward ho, and turning northerly, too, we come to Glacier National Park. Snow-capped Going-to-the-Sun Mountain bears the image of a good spirit of the Blackfeet Indians carved near its summit. At Trick Falls, the Two Medicine River forms cataracts in a bit of beautifully forested glen. And then, flowing onward, the Two Medicine sings to the pines.

We can aid you in planning your trip, both as to where to go and how to get there. Our Travel Bureau will gladly see that you are supplied with information on any trip you propose making.

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Apr. 7-28

(*Continued from page* 1096)

mured, " 'we told you so,' just another speculator's dream that turned out to be a nightmare."

Bearish Comment In the published discussions on Radio's outlook in 1920, one reads comments like the following: Under the stock exchange arrangement, it would seem that the old Marconi stockholders possessing about 2,000,000 shares, surrendered their 100% interest in the company for only a 40% interest in the new corporation, and, in addition to forfeiting control, parted with a 5% dividend paying stock for two shares of new stock the earliest dividend on which cannot be expected until 1923, if then. Just how advantageous this will work out for them remains to be seen, although it cannot be denied that the entrance of General Electric and American Telephone & Telegraph companies make possible in shorter time the development of the former company's ambitious plans."

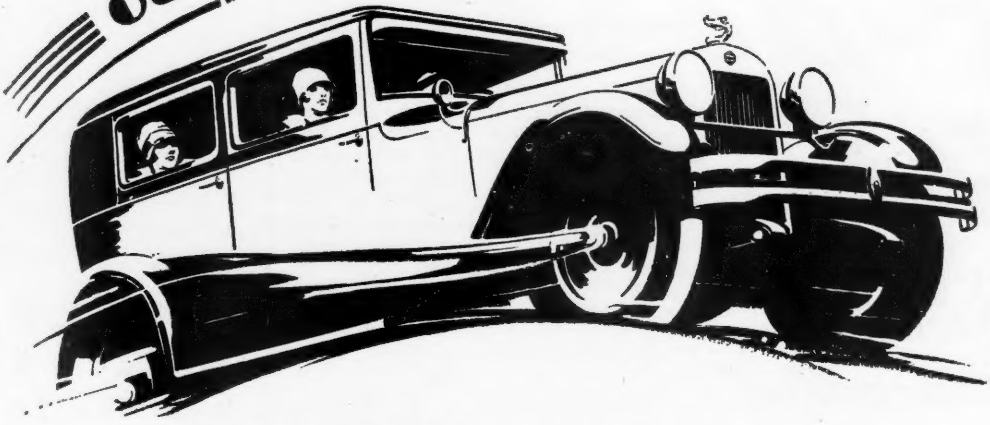
Recent quotations of Radio Corporation's shares provide a very practical yardstick to measure just how advantageous this arrangement has worked out for the old Marconi shareholders. Allowing for subsequent reductions in the number of shares outstanding, the old preferred stock nevertheless gained over 400% in value while the common shares could have recently been marketed at a comparative value some 2600% higher. And, when writing about Radio Corporation shares these days, one feels tempted to add "perhaps the end is not yet."

These facts, interesting as they may be, are merely arithmetical calculations which submerge entirely the broad spirit of public welfare that motivated the formation of the Radio Corporation and the happy train of subsequent events, that has poured millions of profits into the coffers of the company in recent years.

The Marconi concern held all of the Marconi patents and rights for the territory of the United States, and in addition owned most of the equipment for long distance radio communication, in this country. The General Electric Company, however, was the sole maker of the Alexanderson Alternators, a very elaborate and expensive power generator on which the company had spent some fifteen years of development. These alternators were the most satisfactory means known in those days of producing sufficient energy for long distance radio transmission. A 200-kilowatt Alexanderson Alternator was installed in the New Brunswick station of the Marconi concern, while this station was being operated as a war measure by the Navy Department. The installation was made at the expense of the General Electric Company. During the latter part of the war, this station with its General Electric equipment installed, carried the bulk of radio communication between the United States and Europe, and when the station was re-

(*Please turn to page* 1100)

OUTSELLING ALL SIXES



World's *greatest* value *by* this Nationwide Verdict

In all 6-cylinder history there has never been such spectacular acceptance of any car as that which everywhere greets the new Essex Super-Six. It is outselling all other "Sixes", and its own previous records, by such outstanding margins as to leave no doubt of its leadership.

In some places its sales excel its former mark by **100%**, **200%** and **300%**. In Detroit, for instance, where automobile values are understood better than anywhere in the world, Essex sales have been greater than the *next three* "Sixes" combined.

Such success can only reflect an accurate and unmistakable public appreciation that Essex is the World's Greatest Value—Altogether or Part by Part—Please Compare.

All New Costly Car Details

Higher radiator with vertical lacquered radiator shutters.

Wider heavier fenders.

Colonial-type headlamps and saddle-type side lamps.

Four-wheel brakes, the type used on the most expensive cars.

Silenced body construction.

Wider doors, for easy entry and exit.

Worm and tooth disc design steering mechanism.

Electro-lock type of theft protection.

Fine grade patterned mohair upholstery.

Wider, higher, form-fitting seats.

New instrument board, finished in polished ebony grouping motometer, ammeter, speedometer, gasoline and oil gauges.

Steering wheel of black hard rubber with steel core, and finger-scalloped; a detail of costly car appointment.

Light, horn, spark and throttle controls on steering wheel.

Rubber-matted running board.

Coach $735 - Sedan (4-Door) $795 - Coupe $745 ***(Rumble seat $30 extra)***

All prices f. o. b. Detroit, plus war excise tax

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...the latest Statler.... "home comfort" ..radio in every room!

You can lounge comfortably in your Statler room and enjoy the radio *just as you would at home.* Choice of two carefully selected programs always available. Of course, there's no charge.

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Hotels Statler

7,700 Rooms with bath and radio reception. Fixed, unchanging rates posted in all rooms.

(*Continued from page* 1098)

turned to its owners, the Marconi company, after the signing of the Armistice, it became apparent that the future development of commercial radio would be built around the General Electric equipment.

Negotiations Opened

Negotiations were then opened between the Marconi interests and the General Electric Company looking forward to the acquisition of some 24 of these Alexanderson machines at a cost running into several millions of dollars. These negotiations were practically completed in the spring of 1919. Had they been fully completed, the story of radio development as far as American control and leadership is concerned would have ended here, and Radio Corporation shares as a stock market sensation would never have been created. But, at this point the officers of the General Electric Company received a visit from Admiral Bullard, Director of Communications of the Navy, and Commander S. C. Hooper, of the Bureau of Engineering, who made an appeal to the patriotic sentiments of this group of American businessmen and ultimately led to the formation of a dominant company in the radio industry with assured American control and the capital backing of several of the greatest corporations in the United States.

According to the sworn testimony of Owen D. Young, chairman of the board of the Radio Corporation, these representatives of the Government stated at this conference "that, if the General Electric Company should sell these devices (the Alexanderson Alternators) to the Marconi interests, as they then existed in this critical period in the history of radio, the result would be to fix in British hands a substantial monopoly of world communication." It was these conversations that influenced General Electric to acquire the holdings of the British-Marconi Co. in the Marconi Wireless Telegraph Co. of America and with the consent of the other shareholders of that company to organize the Radio Corporation of America. It is said that General Electric appropriated some $2,500,000 for this acquisition, and no doubt spent several millions in addition to develop the business of the Radio Corporation.

Although this concern has liquidated a part of its original holdings of Radio Corporation stock, the balance reported to be held at a very recent date is worth something over fifty million dollars at recent quotations.

It is not an exaggeration to say that the tremendous good fortune of Radio Corporation in recent years is an "accident" totally unforeseen by its sponsors in the early years of its history. For one must always keep in mind that radio started out to be a commercial message business. A firm control by efficient American interests in this field was essential to the public welfare of the nation, in both times of peace and

(*Please turn to page* 1102)

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AROUND the corner from New York's exclusive shopping district, readily accessible to leading theatres, and railroad terminals, yet in a neighborhood socially correct and away from the noise and turmoil of the business district, The Park Central enjoys a location distinctly unique in its advantages.

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Gum-Dipped for extra strength, stamina and mileage. This tire is the finest product of the world's greatest organization devoted exclusively to tires.

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Firestone Dealers offer a complete line of tires, each supreme in its price class—the De Luxe Firestone, the Oldfield, the Courier, the Airway. All are made by Firestone in the world's most economical tire plants—*an assurance of the most for your money.*

Every car owner can take advantage of Firestone economies in manufacturing and in securing raw materials which mean a saving of millions of dollars annually to American motorists.

In the Far East there are ten Firestone buying offices for the purchase of crude rubber from the native planter. In Liberia, Africa, a vast million acre plantation development is building for Firestone a complete independence from foreign rubber monopoly. Firestone recently added to its manufacturing facilities the largest cord fabric plant in the world.

Firestone distributes tires only through regular service-giving dealers direct from 150 Factory Branches and Warehouses—never through mail order houses or so-called special distributors.

You are assured fresh, clean tires along with the expert service and advice of Firestone Dealers—who have been trained at Firestone Tire Repair Schools and Dealer Educational Meetings. See the Firestone Dealer nearest you. He is prepared to save you money and serve you better, no matter what price tire you want to buy.

The Mark of Quality

MOST MILES PER DOLLAR

OLDFIELD
A rugged tire warranted by Firestone. Scientific tread design; reinforced carcass; specially protected sidewalls.

COURIER
Backed by Standard Tire Manufacturers' Warranty; anti-skid tread with protecting ribs to sidewalls; low price.

AIRWAY
For the light car. Safety tread. The Firestone-built tire for motorists seeking a good tire at a very low price.

AMERICANS SHOULD PRODUCE THEIR OWN RUBBER . . . Harvey S. Firestone

Make the Old Home More Livable

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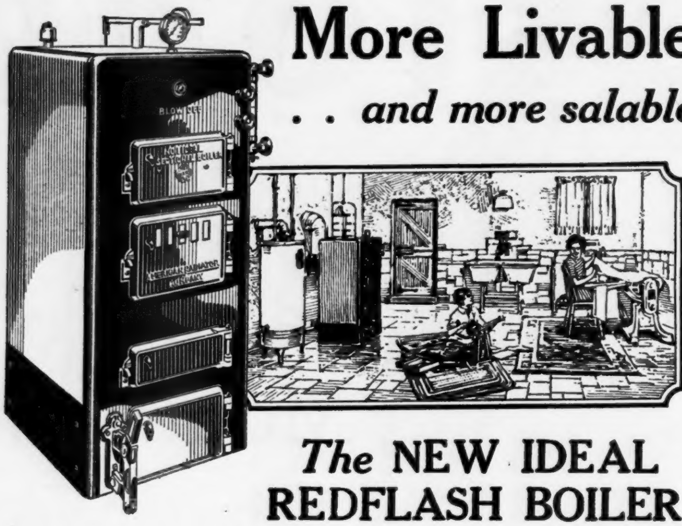

The NEW IDEAL REDFLASH BOILER

FOR new homes or old, the New Ideal Redflash Boiler offers finest heating at lowest fuel cost—*yet it costs no more than an ordinary boiler.*

The double flue gallery retains the hot gases of combustion within the boiler for the longest period of time to insure the utilization of their heat in the highest degree. It is fully equipped, thoroughly insulated, and doors finished in lustrous porcelain enamel.

So clean and beautiful is the Boiler that it enables you to transform the cellar into a useful, livable place.

An Ideal Redflash Boiler with "American" Corto Radiators, not only assures lifelong heating comfort but also adds materially to the rental and selling value of the house.

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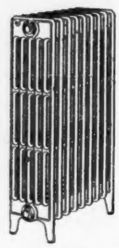

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UNDER PERSONAL DIRECTION OF
MAX A. HAERING
TELEPHONE PLAZA 1066

(*Continued from page* 1100)

times of war.

In order to bring all of the essential patents in the young radio industry under the operation of one single unity, General Electric invited the participation of American Telephone & Telegraph and Westinghouse Electric, among other interests, each of which took a share interest in the new corporation and endowed it with exclusive rights to exploit the existing and future radio developments. The only thought of these powerful interests at this time was to make America's position in the field of national and international radio communication unassailable by foreigners. And it was in this way that the Radio Corporation had become the outstandingly dominating unit in the new industry from the standpoint of patents, backing, research and sales facilities, executive personnel, favorable contracts with the British radio interests and the heritage from the start of experienced management through its absorption of the American Marconi concern. And about the time this stage of the new company's development was completed something happened—radio broadcasting became an essential feature of American life.

Almost overnight, the broadcasting of programs of entertainment over the air became the latest "American craze." The demand for receiving sets, tubes, coils, condensers, batteries and other electrical equipment taxed the capacity of the electrical manufacturing industry far beyond capacity, for this new equipment. It quickly passed from an amateur stage into an industry that now supplied millions of homes with radio receiving equipment at prices that range from $50 to $1,000 per unit.

The Radio Corporation was the exclusive distributor of radio equipment for both the General Electric Company, Westinghouse Electric and other smaller electrical apparatus companies. Furthermore, it held most of the basic patents on tubes and radio devices. To get the proper picture of Radio's theoretical position one must imagine General Motors and Ford Motor Company, pooling their output and patent rights in one concern about ten years ago. What would this company represent today? That is the position that Radio occupies in its equally universal industry, with a monopoly in radio communication nationally and internationally thrown in for good measure.

In a few years, the sale of radio apparatus jumped from one million to over 50 million dollars, as far as the Radio Corporation itself was concerned and lack of capacity plus patent litigation left many millions of sales for competitors. Last year this patent situation was cleared up sufficiently to present assurance of domination in this industry for as far ahead as we can see with reasonable accuracy. Is it any wonder that the shares of this company should have responded by the spectacular price gains that have made one of the most interesting chapters of stock exchange history.

GREATEST 3 MONTHS in 20 years of WILLYS-OVERLAND HISTORY

42% ahead of last year!

Willys-Knight and Whippet sales in January, February and March showed great gains over corresponding months in 1927.

89% gained in February over January, 1928.

25% gained in March over February, 1928.

March was the greatest month in all Willys-Overland history.

The public is quick to recognize low prices and high quality.

SENSATIONAL PRICE REDUCTIONS

WILLYS-KNIGHT SIX

$1145

Prices from $1145 to $2695. All Willys-Knight and Whippet prices f.o.b. factory and specifications subject to change without notice.

THE PERFECTED Whippet

$535 COACH

Touring $455; Roadster (2 Pass.) $485; Roadster (with rumble seat) $525; Coupe $535; Cabriolet $545; Sedan $585

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Increasing Investment Income

IN order that you may get the greatest income out of your investments, you should work towards the goal of every investor—100% Investment Efficiency. This is to get maximum returns consistent with safety at all times and yet have readily available funds for the unusual opportunities as they occur.

A Goal Worth Working For

In order to work towards the goal of 100% Investment Efficiency, you must have a well-rounded investment plan. Such a plan requires that your funds be employed in such a way as to meet your individual and personal circumstances and the constantly changing and varied conditions of the investment market. Each investment change brings new dangers, new adjustments, and new opportunities, so that a well-managed investment program is in a ***continuous state of activity.***

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From our position in the field of investments for twenty-five years, we have learned a lot about the needs of all types of investors. This experience has enabled us to develop a Service which gives you a Complete and Continuous Working Plan for Your Money.

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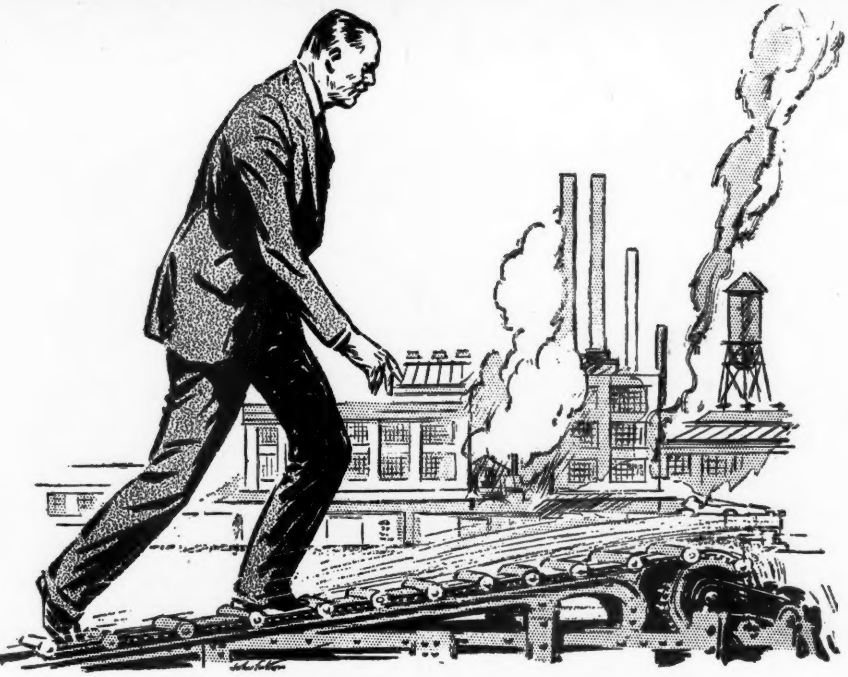

Get off the Treadmill of Profitless Prosperity

THOUSANDS of concerns went through 1927 on a treadmill that turned busily, but produced no profits. Thousands have entered 1928 on the same futile grind. They make good merchandise. They hire the best salesmen. They sell huge volume. Yet there is little, if any, Net at the end of the year.

"Cut costs" is the demand coming from the Board. But costs have been cut to the bone, and still competitors are selling goods as fine as yours for prices very near your actual production costs.

Have you checked *every* factor? Are you *sure?* Was Location on the list? Did you consider that your present location may be the crux of the whole situation?

Southern factories are busy, too. And their statements are showing good profits. Many of them are running nights—particularly in the Atlanta Industrial Area where production advantages reach their highest point.

Goods made around Atlanta go into market with prices under yours, yet carrying a good profit. How do they do it?

Efficient, willing, interested, Anglo-Saxon labor made these goods. The raw materials came from nearby, at low prices. Taxes added no burden. Power costs were low. Even climate helped to lower the overhead.

It is these facts that bring to Atlanta the steady stream of new industry, flooding South as the one sure protection against the inevitable consequence of remaining in the old, congested centers of America.

Distribution City

In addition to offering the best location for manufacture, Atlanta is Distribution City to the South. More than 900 of America's outstanding concerns have come here—three hundred of them in the last two years alone—because from here the Southern trade can be covered most effectively, most economically. The Southern market, a prosperous, thriving market—America's fastest growing market—has made those Atlanta branches outstandingly profitable.

We will be glad to help you find out whether or not a branch or a branch factory will prove equally profitable for your business. Without charge or obligation, and in the strictest confidence, the Atlanta Industrial Bureau will survey the section from your viewpoint, and report the findings in complete detail. A letter from you will start this work; write

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